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# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

JPRS-UEA-90-011

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Gosplan Conference Focuses on Future Course of Economic Reform

904A0214A Moscow *PLANOVOYE KHOZYAYSTVO*  
in Russian No 1, Jan 90 pp 16-29

[Summary of discussion by specialists of USSR Gosplan and scientific associates of its institutes: "Problems in Improving the Economic Mechanism"]

[Text] Within the collective of USSR Gosplan, within its departments, the problems of the economic reform and of the country's economic development in the nineties were discussed on the initiative of the Council of the Voluntary Economics Society. Specialists of USSR Gosplan and scientific associates of its institutes took part in the discussion. Principal attention was paid to the restructuring of the economic mechanism and to improvement of the planning system. We are publishing below the arguments and proposals that were presented.

**G.T. Vlasenkov** (subdepartment chief of USSR Gosplan) remarked that many of the difficulties being experienced today in the economy are not directly related to the economic mechanism, which is being called upon to achieve the strategic aims and goals of society and of work collectives. The reform of the economic mechanism is oriented toward specific goals in the very near and more remote future and toward working out directions for their achievement. There is a need to analyze carefully everything that is valuable that has already been gained, to study the experience of our socialist construction and to take all that is best from it. It is beyond question that the planning system needs qualitative improvement, since the country confronts qualitative new tasks which have to be performed under new historical conditions.

This specifically concerns relations between the plan and the market. And it is the task of USSR Gosplan to find ways of solving that problem. The point of departure here must be that the market we are talking about is not the bazaar, and we must determine the qualitative and quantitative parameters with which our socialist society would regulate it in the interests of the entire people. In other words, the question is not planning or the market, but a combination of the advantages of planning and the market. But solving this problem requires a certain time and a great organizational effort and creation of the appropriate economic conditions. It seems advisable in this connection to approach in a new way the compilation of the country's plan for economic and social development: to compile it for the period 1991-1992 on the basis of the draft of the 1990 plan, to stabilize the economy, to analyze what is being achieved in our country in the course of performance of those measures which we are working out today, to evaluate their consequences, and thereafter to draft the plan on that basis. This does not mean that the 5-year plan is being

abolished. Basic national economic targets can be established for 1995, they can be set up as a goal in order to broaden the planning horizon, but the real plan with real substantiation is the plan for the period 1991-1992.

**A.A. Sukhanov** (deputy department chief) said that it is difficult to speak of the effectiveness of the economic reform, since it has not been introduced across the board. A number of managers in the economy are now paying more and more attention to profit, and here stress is being put on realizing profit regardless of the means, predominantly by raising prices. Much is now being said about the new functions of ministries, but little is changing in practice. The ministries are continuing to engage in economic activity, acting like an economic entity, something it is not supposed to be, thereby strengthening its monopoly. What is more, since the ministries can no longer manage the branch or sector effectively, they are beginning to set up all kinds of GPU's [main production administration], concerns, and so on.

**S.G. Rodin** (doctor of economic sciences, professor, department head in the Higher Economics Courses of USSR Gosplan) emphasized that the country's economic development must be aimed above all at strengthening socialist society, our social system. In his opinion, this means above all: strengthening the leading role of the state sector in the economy, the priority of planned development, distribution exclusively according to work, and preventing income not derived from work. That is why he cannot agree with a number of positions that have today become rather widespread. First of all, there is the problem of ownership. He cannot agree with reducing the role of the state sector to an auxiliary role, to serving the cooperative and private forms of production. It has been proposed that a market for manpower be created, i.e., that manpower be turned into a commodity, that ultimately a system of hired labor be introduced, in other words, one person will sell his labor power, and another will buy it.

More and more proposals are being made for full-fledged development of the market principle and reduction of the role of central planning, ultimately for replacement of planning by the market. At the same time, we hear statements to the effect that distribution according to income, according to ownership, out of profit, should be introduced alongside distribution according to work, i.e., stratifying society into two parts—some people will live by their labor, and others from dividends, perhaps even from outside the country. Appeals are being made for the transition to freely formed prices, i.e., the prices of the marketplace. In essence, this is a question of leaching out the principles of socialist economic activity, but the spokesmen for these positions do not say what the social consequences will be if such proposals are implemented.

This is what we have to have to strengthen the economy: First, close the channels through which income is derived without work and money is created that is not backed up with a growth of output in physical terms.

Unless this is done, the pathways for stratification of society into the haves and the have-nots will continue to grow wider, and the shadow economy will be strengthened. Second, the state, cooperative, and private spheres of activity have to be really equalized. The state sector is the leading sector, and for that reason, just as in any social system, all the other sectors are put on a par with the leading sector, not the other way around. The cooperative and private sectors have to be put on a par with the state sector with respect to all parameters.

Two heavy weights hang on our economy, weights we hung up ourselves: they are the gross physical output and the gross output in value terms. If we get rid of them, we will actually achieve acceleration. To do that, we must first consistently replace the cost-plus mechanism of economic activity by a cost-fighting mechanism. We have to establish clear links between wages and physical output. It has been proposed that the indicator of the wage intensiveness of output in physical terms be introduced for this purpose: if this is the output, then the wages are this much. The role of the production cost (sebestoimost) must be enhanced as the principal indicator, adjusted for product quality; that is, the production cost must not surpass the qualitative growth of output. It is the indicator that should be the principal source for all forms of incentives along with outright growth of output, and the economic incentive fund should be formed on the basis of reduction of the production cost and growth of production.

**A.G. Terekhov** (deputy director of the Scientific Research Institute of Planning and Standards of USSR Gosplan) touched on aspects of enhancing the role of centralized planning. Without it, in his opinion, it is impossible to accomplish structural revamping of the economy to use state investments efficiently, and to restore health to finances. A different approach to target planning is proposed to that end. Programs adopted earlier were rather directives and appeals, since a program drafted in an authentically scientific way is a chain that leads step by step from resources to realization of the end product that has been thoroughly worked out and interlinked. Even such currently effective programs as the Food Program, the Comprehensive Program for Development of the Production of Consumer Goods and the Service Sector are not programs in the true sense, although in their conception they are supposed to serve as the pivot of all central planning.

A scientifically developed system of programs would make it possible to represent in more detail all those problems that exist and to outline a system of measures to solve them, as well as to define the priority directions. For instance, in the immediate future these would be food, services, and science. The drafting of such programs presupposes that the transition be made from gross indicators to others. They might be social standards relative to population. And the results of economic development have to be evaluated not in terms of the growth rates of production, since production does not exist for the sake of production itself, but according to

the degree of approximation to the social standards relative to population. Whatever has been set down in the program must also be the basis of the state order. All other products may be stimulated with preferential interest rates on credit, tax reductions, and other economic levers.

**A.A. Gorin** (scientific organization of the TsAAIR of USSR Goskomtsen) remarked that quite often many proposals are not backed up with specific calculations; emphasis is usually put on the favorable results, but no mention is made of the adverse consequences of carrying them out. Meanwhile, all the forecasts show as a rule that whenever something improves somewhere, that improvement is paid for with a deterioration of the situation in a number of places.

It is no surprise, then, that in spite of the appeals, in a few years serious new problems arise as a consequence of attempts to implement those appeals. The reason is that it is enough to change some standard just a little for rates of economic and social development to change in a chain reaction and for their rhythm and dynamic behavior to be upset. That is why it is very important to know not only the state of the economy, but also the interaction of the processes occurring in it and their rates. After all, if in the middle of the year some productive asset is activated just a week earlier or something is removed from operation just a week earlier, the dynamics of economic development can assume a quite different character. One of the reasons for this is the excessive stability of standard rates and allowances (normativity). As shown by an analysis of the practice of an economy developing normally, standard rates and allowances must be flexible, must change in keeping with economic conditions.

**G.L. Zoteyev** (deputy director of the Scientific Research Economics Institute of USSR Gosplan) called attention to the fact that one of the most complicated problems in the present stage of economic development is the transition from the old system of the economic mechanism to the new one. Within the limits of these transitional processes, many difficulties have been arising, and this has been generating a diversity of approaches to evaluation of economic phenomena and sometimes recommendations for solving these problems that are opposite to one another. An overall conception of socialism is obviously necessary. The scientists have to explain what they mean by scientific socialism. Only then will we be able to say as economists whether we can construct an economy according to their conception. At present, as experience has shown, we are not coming together on these matters, since the economy has its own principles which are in a completely different perspective from ethics and social justice. It is quite obvious that commodity production, a market economy are far from compatible with the criteria of socialism if the strictest terms are applied. If we are being called upon to move blindly toward a market that is based on freedom of pricing, competition, then this, of course, is not socialism. Developing the scientific

theory of socialism, then, is one of the urgent problems of the day; without it we cannot develop our economy successfully.

**Yu.I. Fomichev** (deputy department chief of USSR Gosplan) dwelled on the problems of pricing and remuneration of labor. In his opinion, the conception of pricing proposed by a number of economists, the one oriented toward free enterprise and the free market, inevitably results in a rise of wages. There is no question that the share of free prices, more accurately, the share of prices negotiated between the supplier and the customer, must be greater than now, but central prices set by the state, especially on such resources as electric power and scarce raw materials and supplies, must be dominant. They must be directly controlled by pricing authorities.

One of the crucial questions is that of remuneration of labor. The old system of remuneration has for all practical purposes ceased to exist. The new one, unfortunately, has still not been worked out, and this has evidently caused a sharp jump in the growth of wages. It is obvious that in working out the new system we must hold consistently to the course of equal payment for equal work.

**S.I. Karmanov** (subdepartment chief of USSR Gosplan) noted that the problems of structural transformations in our economy are inseparably bound up with the scientific-technical and technological development of production. If scientific-technical progress is to have a stronger impact on the state of our economy, the character of the formation and realization of state scientific-economic policy must undergo a transformation. At the present time, it is the policy of the apparatus of the state and figures as a mere appendage to economic activity. The problem is to make the transition to state technical policy as a form of interaction between the legislative and executive branches of government and public organizations, and on that basis to transformation of the entire sphere of scientific-technical activity. There will have to be special forms through which that policy is implemented. We can identify the three most radical measures for improving the planning of scientific-technical progress: the transition to the planning of ultimate objectives, the transition to the target-program method of planning, and the concentration of resources on pursuing the priority lines of scientific-technical progress.

**A.G. Shchipantsev** (deputy subdepartment chief of USSR Gosplan) emphasized that what is needed above all now is to solve the problem of the upcoming 5-year planning period, not only defining the strategies for fulfillment, but furnishing them realistic support, since in our experience the economy has quite often developed otherwise than as defined by the plan. This means that we have to establish clearly the necessary minimum of goals, which obviously would include the food program, medicine, housing, and meeting social needs. These goals also have to be supported throughout the entire structure of the plan. Far greater use needs to be made of the tax system so that it operates in the interests of the entire people, so that it is advantageous for an enterprise

to produce what society needs, so that it is motivated to produce the product that is indispensable to achievement of the goals contained in the plan. It is evident that we also need to establish tax benefits for all products envisaged in the reference figures, to provide guaranteed supply of materials and equipment for the reference figures, which is the way that the gap can be eliminated between the reference figures and the plans adopted by enterprises. This will make it possible to link the plan among all the most important directions, to guarantee material supply, to stimulate accelerated development of capacity with tax benefits and thereby to achieve the goals set down in the plan more quickly.

The remarks and conclusions that were formulated in the departments also noted that a key problem of the economic reform is improvement of property relations. Attention was called to the absence of a clear definition of the "new economic system within the limits of the socialist option." It is indeed at the formation of that system that the economic reform must be aimed.

The opinion has been expressed that the proposed "diversity of forms of social ownership" is actually not that at all, but reflects only methods of performing economic activity and ways of increasing the economic motivation of work collectives to raise production efficiency. In other words, there is a diversity of forms of economic activity, while the social form of ownership is retained in all cases.

At the same time, the "degovernmentalization" of social ownership that has been advanced and the "accelerated transformation of state enterprises into...cooperative enterprises, joint stock companies, private enterprises, mixed enterprises, and joint enterprises in which foreign capital participates, etc.," in essence leads toward transformation of social ownership into private ownership, although this is not stated directly. That is obviously why an attempt has been made to depart from straightforward definitions and to conceal all forms of ownership with the single term of "socialist ownership." We need to eliminate this kind of diffuseness, indistinctness, and incompleteness of formulations concerning development of forms of ownership and provide an exhaustive definition of the economic system that will be created as a consequence of the reform.

The proposed "degovernmentalization" of social ownership regardless of the sectors and spheres of economic activity can hardly be acceptable. Those branches of industry and the production infrastructure that determine our development, including the major branches of transportation (rail, maritime, and air), as well as those segments of river and motor transport that consist of enterprises operating in the same technological cycle with the major branches of transportation, and also communications systems of state importance, must remain nationwide public property and in view of their specific nature must function under the centralized (but

not "administrative") management of government entities. In addition to administrative methods, these entities will also use economic methods of managing subordinate enterprises in accordance with legislation.

Proposals to permit a manpower market have aroused a sharp objection. Such a leap would in essence signify legitimized unemployment. Every citizen's right to work has to be guaranteed in real terms, and the basic principle of socialism "from each according to his abilities—to each according to his work" has to be observed unswervingly.

The proposal to eliminate from the economy enterprises operating at a loss over a period of 2 or 3 years has also been criticized. First, as world experience demonstrates, enterprises operating at a loss actually exist under the conditions of a market economy in all the capitalist countries. They are subsidized by the government and perform both economic (extraction of fuel and energy) and also social tasks (guaranteeing employment of the population). Second, the means that has been proposed for solving this problem (the leasing of enterprises, their sale to cooperatives, and so on) does not take into account the real economic conditions under which those enterprises exist (the need of the national economy for their products, their technical level, their place in the system of the social division of labor, the price system, the level of skills of personnel, and so on).

It has been noted that under the conditions of the radical economic reform central planning takes on extremely great importance. It must take as its first point of departure the need to solve social problems and must be directed toward raising the standard of living of various strata of society in accordance with the plan for the country's socioeconomic development, at equalizing the social level of various regions and republics, at improving the environmental situation, including regulation of the efficiency of use of national resources, at improving the production structure, at eliminating the monopolism of producers, at preventing manifestations of crisis, at legal protection of citizens, and so on.

The principal means of regulation must be an economic mechanism for realizing the advances of scientific-technical progress through the system of the state order, taxation, subsidies, distribution of state investments, tax benefits and financial penalties, determination of the levels and periods of validity of rates on bank credit, legislative regulation of economic activity, and other forms.

The principle has been stated that we should clearly define what the 5-year plan represents, what functions it should have, what basic principles as to method should be laid down as the basis of its drafting, and how binding its provisions can be for the sectors of the economy.

It has been proposed that the 5-year plan would include indicators making it possible in the process of its fulfillment to do restructuring on the move, especially since

the 5-year plan itself must be multilevel as to the periods of carrying out the economic reform, and its structure will not be frozen solid.

It seems that planned regulation of the economy by the state should not be reduced exclusively to multiannual planning. However, the role and functions of state regulation have still not been defined clearly.

There is a need to draft and apply economic measures that will motivate enterprises and organizations to perform the state order; in order to stimulate the priority lines of scientific-technical progress, it is advisable to work out preferential tax legislation for that portion of profit (income) of the enterprises that is committed to financing scientific-technical progress.

The improvement of planning depends in large part on improvement of the practice of using state orders. The principal change in the system of the state order is that it must start with the consumer. This would immediately solve three interrelated problems: the soundness of the order, since the consumer knows better than anyone else what he needs; it is made specific, and this is something that only the consumer can provide; and the mandatory nature of the order is reinforced by the relations of trade, since the situation is eliminated in which the order is established by certain authorities and paid for by others.

In the transitional stage, there could be two forms of the state order, which would be binding. The first form presupposes establishment of the state order to be financed from the state budget, and here the authorities authorized by the state and responsible for satisfying the particular needs of society would figure as the customers.

The second form results from the practical matter of the absence of wholesale trade in machines and equipment. In the stage of adjustment of horizontal relations among enterprises on a market basis, this form must guarantee that the priority needs of the national economy for the most important products are met. But extending to ministries and departments, to which enterprises are subordinate, the right to establish their respective targets in the form of a mandatory state order signifies a further strengthening of the dictate of the producer and a weakening of the consumer's position. Central authorities will not be able to cover the required detailing, i.e., spelling out the state order in specific terms. That is why it seems advisable to grant the right of forming the state order to enterprises, and in certain cases to consumer-ministries. The state order must be established by the consumer within the limits of the limit-allowances they have been assigned for the product in question.

Under present conditions, when wholesale trade is still not in a position to completely supply consumers with products for production and technical purposes, use of the state order should be envisaged. As shown by the experience of examining the plan for 1990, enterprises and ministries need to broaden its list of products in order to create stable conditions for managing the economy. At the same time, enterprises need to be given

greater administrative and economic responsibility for preserving the direct economic ties that exist between suppliers and consumers in a context of strict price controls. Products produced over and above those amounts would then be available for unrestricted sale.

There has been an objection to the proposal for step-by-step removal of price controls, even if it is supplemented by a system of social support of the public. The orientation toward flexible prices as stimulators of production will not yield the anticipated benefit, since under conditions of scarcity it will inevitably intensify inflation; rigid financial measures are required, measures that ultimately will suppress activity.

The use of unrestricted prices, demand, and supply to balance the economy will under scarcity conditions result in a further monopolization of producers. It should be taken into account that the practically unlimited possibilities opening up for raising prices will hold back a growth of production, since the mechanism of unrestricted pricing makes it possible to derive income regardless of the growth of the physical volume of output, goods, and services. The producer will be motivated in this case to maintain the shortage on the market.

In the absence of the indispensable material and technical supply, organization of a financial market in order to increase the mobility of enterprise resources for investment in the most effective sectors of the economy will not yield the results desired. There is evidence of this in the rapid growth of remainders of economic incentive funds accumulating in enterprises. The concentration of sizable financial resources on joint-stock principles when there is a shortage of physical resources and prices are unrestricted will also encourage a rise of prices. The proposed price structure (prices centrally set on the state order and unrestricted prices of other products) would stimulate enterprises to eliminate the state order from their production program.

**F.N. Klotsvog** (doctor of economic sciences, department head of the Scientific Research Economics Institute of USSR Gosplan) and **D.A. Matsnev** (candidate of economic sciences and sector head of the Scientific Research Economics Institute) also made statements on these matters. Attempts are also being made to solve the problem of creating a highly efficient economy by renouncing the use of the advantages of public ownership and playing down the role of central planning, combined with a simultaneous exaggeration of the role of the market. In our opinion, restoring health to the economy needs, on the contrary, a real strengthening of centralized guidance of the basic economic processes, combined at the same time with expanded independence of the basic production unit. This presupposes implementation of the following strategies for perestroika of the economy:

- guaranteeing the priority of the public form of ownership under conditions of diverse forms of socialist ownership. This priority must be manifested in the

predominance of the public form of ownership in all key sectors of the economy, in priority material and technical supply of the relevant enterprises, in creation of advantages for social development of their work collectives. This principle does not diminish the role of the cooperative and self-employment, nor does it eliminate the need for full-fledged development of leasing relations. But all these forms of economic activity presuppose state control of the price level and state monitoring of observance of the principle of distribution according to work;

- development of the relations appropriate to public ownership must be accomplished in the form of leasing the enterprises in question to work collectives;
- the center must not intervene in the day-to-day economic activity of enterprises, associations, union republics, and sectors. It should concentrate its activity on the purposive organization of the overall process of reproduction, on the democratic establishment of national economic, intersector, and regional proportions in economic development;
- full-fledged democratization of the planned management of the economy has to be guaranteed, the planning process has to be turned into a multilateral equal dialogue between the center and the union republics, sectors and branches, and the leading associations and enterprises. This creates the prerequisites for conscious and purpose maintenance of the dynamically changing proportionality of the process of reproduction not only on the scale of the entire national economy, but also at the level of its individual components. If planning is democratized, then the limits as to who imparts direction to planning are fundamentally broadened. This then becomes the entire socialist society. This makes it possible to activate the deep-lying advantages of the public form of ownership and to use them effectively;
- it is a most important condition for central management of economic processes to preserve firm state prices of the overwhelming majority of products, including the products of cooperators. Under the conditions of the present material and financial imbalance, in view of the scarcity character of the economy and the high level of monopolization of production, unrestricted prices by definition are unable to provide a way out toward an equilibrium state of the economy. Their use will result only in a further destabilization of the economic situation;
- the transition should be made to consolidated planning of intersector and interrepublic deliveries and limit-allowances as a method of national economic organization of direct ties between consumers and product suppliers. The right to make up the order for a specific product must be granted directly to the consumer or to an organization representing his interests, within the limits of the consolidated limit-allowances established by the center. When there is a mutual understanding between consumers and suppliers of a product, the assignments for delivery and the limit-allowances must be corrected automatically.

If such an understanding does not exist, these consolidated assignments are binding on the supplier and should thereby guarantee protection of the consumer's interests;

- the charge on resources, as a form for realizing leasing relations between enterprises and the state, must become the sole channel for drawing off enterprise income into the state budget. The rates of the charge on resources, along with the functions of draining off income into the state budget and stimulating efficient use of resources, will also perform the function of regulating the level of cost-accounting (*khozraschet*-nyy) income of work collectives. They should be established in a differentiated fashion in pursuit of that objective, but the method used should be the same for all and should eliminate the possibility of their levels being set arbitrarily. The rates must be set so that the sum of payments for resources will be sufficient to provide for the state budget; the sum of the cost-accounting income of all enterprises that remains would correspond to the possibilities for its physical coverage, and the level of income at each enterprise would be proportional to the rise of production efficiency. Work collectives should be granted full independence in use of cost-accounting income remaining at their disposition after the payments for resources have been made;
- it is indispensable to develop a system of horizontal stimulation of the producer by the consumer using the resources of his own cost-accounting income. A stimulating supplement to the price for delivery of high-quality products should not be included in production costs, which should be planned and recorded in firm state prices. The combination of horizontal incentives with firm state prices makes it possible to combine organically a flexible commodity-money mechanism with centralized management of economic proportions.

These strategies must be implemented in the shortest period of time and simultaneously with the drafting and adoption of the new 5-year plan. Only in this case can the 13th FYP become a turning point in creation of a highly efficient and dynamic economy in our country.

**P. Ignatovskiy** (doctor of economic sciences, professor). The transition of enterprises to cost accounting (*khozyaystvennyy raschet*)—some of them in 1988 and the rest in 1989, is the most essential thing that has been implemented in the economic reform. The results, as is well-known, have not been promising, since there has been a distortion of *khozraschet*, of its essence, which lies in keeping a record of costs in order to reduce them and to achieve a coverage of expenditures with income on that basis.

But this essence of cost accounting has proved unattractive. An effort has been made to adapt it to the realization of money income regardless of the means, above all by hiking up prices, by revising the product list, and so on. As time passed, cost accounting was transformed more and more from a category of production and cost reduction into a distributive mechanism, into a growth

of payments, especially in the nonproduction sphere, that was not directly related to the product.

If cost accounting is to be perceived as an instrument for cost reduction, then it will hardly attract attention in the regional sphere of management, where cost accounting is once again seen as a possibility for augmenting income, this time through prices in interrepublic trade.

And take just this datum—as many as 100 salaries in a scientific research institute in the form of bonuses—this is the highest degree of distortion of cost accounting, and then it is supposedly on a legitimate basis.

Following the distortion of cost accounting, in this stage our economy has come up against other phenomena: the hiking up of prices; speculative activity on the part of a number of cooperatives; a majority of the prices in cooperative trade as a whole; the severing of long-standing sales relations (under the influence of "one's own" gain); barter arrangements in the form of extortion, signifying premarket relations; and the shadow economy.

What is this? Conformity to plan? This is indeed a market—underdeveloped, distorted, adapted to the gains of one collective at the expense of another. But these phenomena, which considerably aggravate the economic situation, are not receiving the analysis and evaluation they deserve.

But is it an accident that it should be cost accounting and market phenomena that have undergone distortion; in other words, that they should have become accessible to distortion?

It is striking here that both cost accounting and the market are based on value and money. But there is no stability in either one, there is an absence of reality. What is this all about? Let us take all the phases of reproduction: production, distribution, exchange, and consumption.

Here, the initial basis is production, and consumption is the process that closes the cycle. Both these processes are based on what is most real and direct (not mediated by anything)—the product.

This means that economics begins with the movement of the product. But this circumstance has been overlooked. That is the reason for the deficiencies. The essence is distorted in mediated processes, i.e., in distribution and exchange, which are supported by money and occupy the middle position between production and consumption.

We fix attention on human relations in the economy, but we lose sight of the subject matter of those relations—the product. But economics is in fact the movement of the product. That is its materiality, the materiality and realism of human relations in production.

Capitalism makes a fetish of human relations, representing them as material relations.

When we represent the economy as the sum total of relations divorced from movement of products, we involuntarily allow an element of fiction.

This fiction cannot be production or its product. They constitute the reality of the economy on which the reality of economic relations is built. The fiction can be seen in distribution and exchange, where there is an intermediary and equivalent, which is money.

Money has been divorced from its basis in gold, its content. And then also from its commodity counterpart. Bank notes not covered by commodities are a paper attribute decreed by the state. This is no longer that money which is required by the equivalence of exchange. More money is issued than production of physical goods permits. That is why the growth of money income surpasses the growth of output. In this sense, there is overconsumption relative to the growth of production and accumulation. It is not characteristic of our country alone. Nor is it an accident that not a single socialist country has been able to solve its economic problems with the strategies of money relations and market relations. Meanwhile, without taking into account actual reality, without analyzing it thoroughly, we try more and more frequently to convince ourselves that this is actually the most reliable way—distribution through the market, in which the fictitious nature of bank notes occurs in unsubstantiated fictitious prices and is compounded by them. That is why money income experiences relative growth that is too fast. And the problem of achieving correspondence between the sum total of products and their money representation proves to be insoluble.

Society cannot solve the economy's problems unless concern is shown for production, its scientific-technical renewal, its efficient organization, i.e., the fundamental base of prosperity. In this case, the present and future of socialist society come under attack. And there can be no justification for holding back technical progress and for organization to lag behind. Although means of production, capital investments, are required for the first, and the second requires skill, the use of progressive know-how that is being formed in the country.

It is often said: return the economy to man. However attractive this might sound, it is not clear what it means. Who is this man and who is to do this, and, most important—how? After all, the movement of products in production and in the other stages (distribution) is a matter of human hands. In this movement, relations are formed among all the participants in production and exchange. If we start with recognition of the movement of products as that aspect that is to be managed and regulated, then this is done by everyone—from the worker to the official in the ministry, in Gosplan.

Only with such an approach is it possible to understand the participation of actual workers in the management of production, of distribution, of trade and consumption. This totality, its unity, are ensured by social ownership of the means of production. It requires that management not be closed off in the phase of production, but that it

not replace production, but also that production, the movement of the product in its sphere, not be replaced by market relations.

It is such an objective requirement as this that has been violated. People who fail to take this into account advance the sphere of distribution, i.e., the market, as a goal in and of itself that works out the destiny of the economy. Society has been suffering sizable losses in this, as we mentioned at the outset. And the further we go into the forest, the more blunders there are.

What is the way out? Since reference points in the economy, which are defined by movement (by the production of products) are being lost, the first thing that is needed is to call attention to those reference points, to production, to its organization, to its know-how, including skilled labor. Trade is of interest to society as the sphere of exchange, as a sector of the economy that also needs to be organized and also needs know-how and skilled workers.

The capitalist firm has taken to the point of perfection the organization of the product's movement, i.e., the organization of production, and also planning, which is based on quotas and standard rates and allowances. This is an objective condition of any society as a producer (not only a socialist society). This is our way out.

That is why it is so important to concern ourselves seriously with the organization of production, with its management as a process of the movement of products in all stages all the way to consumption. The replacement of this condition, society's satisfaction of its needs with fictitious goals—obtaining paper money on the basis of prices unjustifiably hiked up, which once again are fictitious—would signify a loss of social purpose in the economy, in its management, in its organization.

Who can correct matters? The entire social system, above all the state. And it must not be concerned with the management of man, his actions. It is called upon to teach man, to develop his abilities, to create the conditions for that.

It will be especially concerned with his creation. That is the function of the party.

A trained and well-informed man, who is part of the organized rhythm of production, will provide the necessary technology, the creation of real rather than fictitious (money) value—the products of labor, their movement not only in production, but also beyond it, in distribution, circulation, and consumption.

Technologies designed to conserve resources and work-time in real rather than mediated and frequently fictitious terms are the basis of organization. These processes may be organized only upon progressive quotas and standard rates and allowances.

Regulating their level, creating conditions for their progressive reduction, management of the movement of the product on the basis of conformity to plan, which

predetermines proportionality, by means of recordkeeping, balances, and other instruments—that is the purpose of planning whether it be of the national economy or of the plant, the branch, and the locality.

These are the possible prerequisites of normal and stable development of a socialist economy along the road of expanded reproduction.

**V.B. Bezrukov** (chief of the Main Computer Center of USSR Gosplan). The present economic and sociopolitical situation predetermines the need for accomplishing in the 13th FYP a transitional period in economic development along the road toward carrying out the radical economic reform. The program for carrying out the radical economic reform under the conditions of the transitional period includes the following: development of diverse forms of ownership; the policy of financial recovery; an active structural policy in the direction of accelerated development of the production of consumer goods and services, the production and social infrastructures, the export potential, and resource conservation; consistent formation of the market and its use as one of the forms for coordinating the activity of participants in social production.

To that end, it seems advisable in the 13th FYP to retain certain measures of administrative pressure and at the same time to develop economic forms of management of the economy. It is extremely important here to select the optimum combination of administrative and economic measures in the various stages of the transitional period.

That is why it is becoming the principal task of central planning to define the strategies for planned management of the economy under the new conditions and to create economic instruments for it to influence the functioning of the socialist market.

The main problem of the state plan for the 13th FYP is to guarantee the minimum consumer budget, and the entire potential of the economy must be used to solve this problem.

The next problem which must be centrally solved in the plan is to meet the need for resources under the main statewide programs, including defense, the environment, health care, education, science, etc.

Accordingly, final demand, which is determined by the minimum consumption budget and the needs indicated for carrying out statewide programs, serves as the initial point of departure for calculating that portion of the gross social product which must be reproduced in the state sector of the economy in firm prices.

The difference between the size of the economic potential accumulated at the outset of the transitional period and the portion of the gross social product strictly regulated and distributed in the state plan constitutes its

second part, which is reproduced in the sphere of predominantly market relations. Here, both state and other enterprises, including joint stock companies and the like, can operate.

In keeping with what we have said, the state plan of the transitional period must constitute a system of indicators accomplishing centralized management and indirect regulation of the state sector and other sectors of the economy guaranteeing achievement of the goals of the transitional period.

The system of indicators includes both orientation indicators (reference figures), which have only the importance of information for enterprises, branches, and union republics, and also directive indicators—the state order, limit-allowances, and economic regulators (including prices, taxes, interest rates, and standard economic rates and allowances). The state order, which contains assignments for intersector and interrepublic product deliveries, must become the most important form of directive indicator.

In this approach, USSR Gosplan, proceeding on the basis of the socioeconomic strategy which has been outlined, must determine the consolidated structural outlines (through the **reference figures**) of the future process of expanded reproduction within whose framework the specific system of economic interrelations will be formed between the consumers and suppliers of the product. This means that USSR Gosplan defines the consolidated structure of social needs, and then proceeding from that the consolidated intersector and interregional flows of products in the form of the **state order**. Each of these flows represents on the one hand an assignment to the producer for delivery of the product and on the other it establishes for the consumer a limit-allowance of the respective national economic resource. Within the limits of the consolidated limit-allowances received, the branches and regions and their subordinate enterprises must independently draw up orders for product producers.

**Limit-allowances** are the second lever for planned influence on economic development; they are used to maintain the given minimum standard of living of the population and also to regulate the process in production and to support nationwide programs (defense, science, and so on).

**Prices** are one of the basic economic regulators of the economy. The costs of the product's production are accumulated in the price, and at the same time prices ensure balance between the demand and supply of goods and services.

That supply can be achieved by introducing three types of prices: firm prices, regulated (limit) prices, and free (negotiated) prices.

It is extremely important to carrying out the radical economic reform to introduce a **unified tax system** within whose framework the individual rates of deductions from profit into the budget would be replaced by

taxes calculated according to principles that would be uniform for all enterprises. This approach will force enterprises to move toward the general requirements of efficiency. Later, the use of tax benefits, fines, and other penalties will make it possible to actively manage structural shifts in economic activity.

Thus, indicators determining the amount of taxation, the system of benefits, and economic penalties must be envisaged in the makeup of the state plan.

One of the principal places in the system of central planning of the transitional and subsequent periods is being given to the **credit policy** of the state, which is one of the main instruments for management of structural shifts in the economy. The resources of enterprises themselves and bank credits must become the principal form guaranteeing development of production in enterprises, instead of financing from the budget. Here, centralized influence by means of which these processes are managed can be expressed by means of planned regulation of interest rates on bank credits.

Room should also be left in planning practice to preserve **standard economic rates and allowances**, by means of which proportions will be maintained in the formation of enterprise funds. They include the standards governing distribution of profit, depreciation rates, and so on.

The drafting of a plan that most fully takes into account the peculiarities of the radical economic reform has great importance to accomplishing the successful transition to the model of the new economic system. But the plan is still not a guarantee that the economy of the transitional period will function effectively and that sociopolitical tension in society will be eliminated. Under present conditions, it is decisively important to organize fulfillment of the plan and that the disproportions and shortages that arise are promptly eliminated.

At the present time, the problems of monitoring fulfillment of planning targets and also of centralized regulation of market relations are being worked on at the methodological level only with respect to substantiating the need to solve these problems under present conditions. Not enough attention is being paid to the problems of creating an effective mechanism of monitoring and prompt reaction, i.e., to development of the appropriate means, methods, and organizational structures. This has the result that the present economic mechanism is reacting to the occurrence of disproportions and shortages after the interruptions in the functioning of the economy become chronic in nature.

Creation of a mechanism for forecasting and eliminating adverse situations in the economy will make it possible for the state to react promptly to possible deviations from planning targets and to manage the market portion of our economy with the help of the methods of indirect regulation.

Accordingly, it becomes more important to make a comprehensive analysis of the country's economic situation and of progress in fulfilling state plans under the conditions of the radical economic reform.

The problems faced by comprehensive analysis cannot be solved without a reliable supply of information. At the same time, the transmission by central economic authorities to ministries and departments, associations, and concerns of a considerable portion of the indicators being planned, the reduction of the amount of information data in statistical reporting, the growing independence of enterprises, and development of market relations are complicating the procedure for obtaining information necessary for analytical work.

It is accordingly extremely important to create to meet the needs of central entities for management of the economy a reliably operating system of information, including the following:

- a nationwide repository of economic planning information within the state central information repository formed in USSR Gosplan; state databases formed in central economic authorities;
- a system of methods, equipment, and program technologies.

The system of information supply is designed to gather, shape, store, and update information both in scheduled and unscheduled modes. The information needs not only for comprehensive economic analysis, but also for national economic planning must be taken into account in creating it.

The criticisms and proposals expressed during the discussion concerning the lines of development of the economic reform and the drafting of the plan for the 13th FYP indicate the diversity of approaches to these complicated problems of the national economy and the need for further thorough work to be done on them by planning and economic authorities.

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#### **Legislation, Priority Areas of Cooperative Activity Reviewed**

904A0181A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 5, Jan 90 pp 4-5

[Interview with A.V. Orlov, deputy director of the State Commission on Economic Reform of the USSR Council of Ministers, by L. Tsvetkov: "The New Legislative Initiatives of the Government Are Guaranteeing Conditions of Equal Rights for the Cooperative and State Sectors of the Economy"]

[Text] **Endless prohibitions, restrictions and infringements of cooperatives by central agencies, lawlessness and arbitrariness of local authorities.... The economic sector**

that is working under constant financial, administrative and psychological pressure is being purposefully destroyed....

All of this is covered in an official memorandum that was presented to the government. It appears that the words and thoughts are easily recognizable for many readers. Such opinions of cooperative workers are frequently heard from rostrums and are diligently being spread by several of the mass media. At the same time, a different and opposing point of view is being imposed on public opinion: that the cooperatives are supposedly full of swindlers and that their only purpose is to be a legal "cover" for the mafia and therefore, they say, the sooner they are closed down, the better it will be. Where is the truth?

Our correspondent talks about this with A.V. Orlov, deputy chairman of the State Commission on Economic Reform of the USSR Council of Ministers.

[Tsvetkov] Andrey Vladimirovich, on the basis of such contradictory views, it is difficult for readers to evaluate how balanced is the government's policy in regard to cooperatives. It is not even possible to form a somewhat trustworthy idea of what is really happening in cooperatives. For this reason, I would like above all to know your opinion about how well-founded are the prophecies of the "unavoidable ruin" of cooperatives with their assertions of the "purposeful suffocation" of the cooperative sector of the economy.

[Orlov] From the time when this sector had just begun to regenerate, the sales of output and services in it increased by a factor in the tens. But here one must consider that it can be said that the count begins from zero. And at the very beginning of any process the increases are abrupt in nature and do not very reliably reflect the true influence of this process on economic life. It is better to take a different point of reference—I January 1989, for example. This is already after the initial "explosion." At that time, there were already 77,500 cooperatives in operation, in which 1.4 million people were working. Then one can follow the movement of the cooperative system in the quarterly data of the USSR State Committee for Statistics.

[Tsvetkov] Where is it moving?

[Orlov] The number of cooperatives increased by a factor of 1.2 to 1.8 each 3 months that followed. The number of people employed in them invariably increased, as did the receipts from the sale of output and services of cooperatives. In other words, there was a persistent tendency toward the development of the cooperative sector. And by no means toward its contraction.

[Tsvetkov] But is it possible that those people are correct who assert that the cooperative system has survived and is developing not because of the authorities but despite their wishes? The question is not unfounded. You know, it is even given a theoretical basis: they say that the cooperatives are a phenomenon of the "new" market economy. And since they are "new," then once they have

arisen there will be increased competition with the state sector, supplanting it as something "old" and obsolete. Therefore, they say, it is fighting against the cooperatives, or, as they are still called, the alternative economy.... This is the kind of reasoning that can take place. And it seems that it is presented as the latest achievement of economic thought....

[Orlov] To subject the analysis of objective processes to momentary political objectives and particular ambitions is to compare oneself to several of the heroes of "The Possessed" by the great Dostoyevskiy. If we return from such crafty ideas to real life, then it must be recognized that precisely central authority was the initiator of the profound reforms in our society and precisely it outlined the ways to a multistructural economy, in particular to the restoration of cooperatives. It is hardly properly to present it, authority, as some kind of Taras Bulba raising his rifle with the words: "I begat you and I will kill you...." There are many contradictions in the reasoning that you presented, including those that are clear and obvious as well as those that are hidden and deep. But I would not like to argue about them, for a more urgent question seems to be that of why the development of cooperatives is proceeding ambiguously.

I already said that as a whole they are gaining strength. But is the pace fast enough? Probably not. Just judge by the fact that in public catering last year the number of cooperatives declined by one-fifth. In the area where it would be seem that they are especially needed, there was a wave of forced liquidation and 1,500 units ceased to exist. And this is in our difficult market!

The press has repeatedly given the reasons. I will mention them only through a few fragments of the materials from the inquiries by the All-Union National Control Committee and the Ministry of Finance. Can one really go along with the fact that two-thirds of the cooperatives in public catering concentrated not on the provision of midday meals but on the sale of cotton candy and all kinds of other "airy" nonsense? And at what prices and with what quality? What is the cost, for example, of the candied fruit from Romashka in Moscow made using whitening blue?

The fact that the buying up of food products in the retail network became so massive caused a lot of indignation. In the Ukraine, for example, four out of five cooperatives utilized state food resources and returned them to the population at fabulous prices. The unsanitary conditions, the "contamination" of personnel with dubious people and the transformation of some cafes into dens for dealers in the shadow economy with the showing of porno films and drunkenness.... Individual cooperators not only discredited themselves through very serious and fragrant perversions of the law and every conceivable standard and rule but also aroused public opinion against the cooperative system as a whole, thereby substantially slowing its development.

But this is only one side of the question. There is another. If one does not consider it, it is easy to make the mistake of thinking that the entire matter merely boils down to the conscientiousness, honesty and decency of those who work in cooperatives.

The purely market sector of the economy has and is continuing to run into the fact that the necessary conditions have not been established for its normal functioning. There is practically no market for the means of production. Hence the difficulties in the acquisition of raw materials and supplies. There are none of the necessary "flea markets" and permanent fairs. Commercial centers are just getting going. It would seem that the small-scale wholesale network started to help cooperators but then it itself fell into the trap set by sharp people and became a crime-producing zone. The financial market is poorly developed. The credit mechanism sometimes breaks down.

What conclusions did the cooperatives draw from this unfavorable situation? Unfortunately, they went into various illegal machinations (the example of public catering showed precisely what kind). Others tried to utilize the help of the relatively strong state sector. Four-fifths of the production cooperatives now in operation were established under enterprises from which they lease almost 60 percent of fixed capital and acquire approximately the same share of raw materials and supplies. But let us consider the fact that cooperators sell almost 70 percent of their output to sponsoring enterprises, that is, they return it to the state sector. And so only 30 percent goes directly for sale in the market.

[Tsetkov] The attraction of cooperatives is nevertheless so great that they grew. And, by the way, they had some success in getting along with state enterprises—to be sure, in just one sphere so far: in the redistribution of manpower resources. I visited the Masis Association in Yerevan, where as early as 2 years ago there was a massive shift of the most qualified shoemakers from the factories of the association to the cooperatives. It is a bizarre situation: workers, supposedly the masters of production, abandoned good jobs to sew the same footwear on their knees in unadapted basements....

[Orlov] This is another indication that the development of the cooperative sector must be put not only on a reasonable legal basis but also on a sensible economic basis. Which, let us note, is being done. With the most active participation of the cooperatives themselves. In the second reading, for example, the commissions and committees of the USSR Supreme Soviet are examining amendments to the Law on Cooperation. As you know, changes have also been made in the Law on the State Enterprise. It is now necessary to combine the strong sides of both prevailing laws in one enforceable act. A draft of it has already been presented for the review of legislators. Draft laws are being formulated on the taxation of citizens and enterprises. All of this is being done, as they say, in one package with the Law on Ownership now under discussion.

What is the internal interrelationship between these documents? It, in particular, is in ensuring a true equality of rights—property, legal and social—of the cooperative and state sectors through the equality of forms of ownership. The same conditions of production and social activity are established for cooperatives as for state economic units. And, let us add, the conditions for the self-purification of the cooperative movement. But such self-purification must be done by the cooperative sector itself—an independent sector of our national economy with equal rights. This will be a confirmation of its healthy economic and social basis.

[Tsvetkov] As I understood it, your state commission, in particular, is in contact with cooperators. Why are they taking such a careful approach to innovations in state regulation? So far practically every proposal that I can remember is being met with resistance....

[Orlov] There are reasons for caution. As was already stated, proposals have been prepared, for example, on changes and additions to the Law on Cooperation. And the Moscow Council is adopting a document that already introduces these proposals as effective and beyond that prohibitive motives are being increased to a substantial degree. It is understandable that cooperators are extremely irritated by such legal instability. Its deep-seated reasons are clear: the local authorities and administrations, having received broad powers in the regulation of cooperative activity, have not yet learned to utilize their new possibilities thoughtfully and with circumspection.

It is very important, on the one hand, for the local soviets of people's deputies to trim away in the very earliest stages everything negative that is adhering to cooperatives. And, on the other hand, for them to ensure the priorities for the development of the most necessary kinds of cooperative action. And all of this in strict accordance with the law and the legally binding acts that "decipher" its positions.

[Tsvetkov] Which cooperatives, in your view, are in need of priorities?

[Orlov] Above all those working in agriculture, including small forms within kolkhozes and sovkhozes utilizing different combinations of cooperative ties. I, for example, liked the approaches stated by the managers of the cooperative "Yelena" in Riga. They think that they will be real cooperators when they have their own farm and when close ties are established with construction cooperatives and a cooperative bank. And the supply will not be through state resources but from their own supplemental sources.

It is necessary to develop cooperatives further in construction. In this sphere, by the way, cooperatives are already frequently acting as worthy competitors of the state sector: their productivity is greater, their construction time is shorter and they do a better job of considering the wishes of customers.

Or take the following aspect. We are seeing the formation of family and individual farms and farmsteads in the countryside. But it is impossible to achieve a substantial scale in this work without small farm machinery. The acute need for "small machine building" must also be based more broadly on cooperative principles.

It is also clear that the concern of concerns is cooperatives for the production of goods and the provision of services to the population....

[Tsvetkov] What was the contribution of cooperators last year to the replenishing of the consumer market?

[Orlov] According to operational data, the total value of cooperative output last year was about 37-40 billion rubles.

[Tsvetkov] I would like to compare it with the planned increase in the production of consumer goods for the current year—66 billion rubles. Although not all the output of cooperators is goods for the market....

[Orlov] Yes, it should be stressed that even under the present conditions cooperatives are capable of helping substantially to correct the situation in the market. This is why priorities are needed, especially in material and technical supply, for those cooperatives that are working under state orders and participating in the realization of the most important social programs—food and housing, production of consumer goods and provision of services to the population. Such proposals are being studied by our commission.

[Tsvetkov] And do the cooperators themselves frequently initiate innovations?

[Orlov] Yes, and quite promising ones. For example, the Association of United Cooperatives of the USSR came out with the idea of establishing a unique proving ground for the "breaking in" of different forms of market management—a zone of free enterprise in Komi ASSR....

[Tsvetkov] By the way, there were reports about this in the press. But there was no sensible discussion. Unfortunately, let us be frank, the management of the association flirted with politics and through some of its actions it was able to "dampen" the idea and discredit it in the eyes of the public. The conversation boiled down to very sharp statements about some kind of alliance of the association with several representatives of the strike committees in Vorkuta....

[Orlov] I think that one must separate the wheat from the chaff. The very idea seems interesting to me. It is especially important that it was accepted with understanding in the autonomous republic by a number of labor collectives and by the republic authorities. And this, you must agree, is quite important. In short, I am in favor of its being studied most seriously together with cooperators.

It is acutely necessary to consolidate all the forces of the society to overcome economic difficulties. It seems to me

that one of the urgent tasks is consolidation with civilized cooperatives at all levels in the center and locally.

### **Left, Right Groups' Economic Platforms Compared to Government Program**

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in Russian No 9, Feb 90 pp 4-5

[Article by Yuriy Rytov and Yevgenniy Sosnin: "Movements According to Rules and Without Rules"]

[Text] Soon the majority of union and autonomous republics will have elections to the supreme soviets and to local soviets. Is the population ready for them? One can hardly answer this question positively. Recently, the TV program "Good Evening, Moscow!" conducted a flash survey of voters. None of them could name the names of their deputy candidates.

True, posters have appeared in the entrances of capital buildings: photographs of the candidates with brief biographical information. The picture apparently is also the same in other cities. But how do you learn who is who, on what platform he stands, what positions he defends, and what program he has put forth? After all, many districts have more than 10 contenders for the office of deputy. Is it conceivable to attend all election meetings?

However, one should not conclude from the population's poor knowledge of their deputy candidates that society is disillusioned with the course of democratic processes and has lapsed into apathy. On the contrary! Never before have discussions about the country's economic and political situation burned with such passion. Discussions on the streets and squares, at enterprises and institutions, and, yes, perhaps even in every family....

The rapid formation and development of all sorts of public movements, associations, and formations attest to the increase in political activeness of citizens. According to the most modest estimates, their number has already reached 215. Almost 90 percent of them are registered in Moscow.

It seems that on the eve of the elections it is appropriate to talk about the most imposing movements, their concepts, and those rules according to which they play their game.

### **The MDG: Goals and Reference Points**

Undoubtedly, the Interregional Group of USSR People's Deputies [MDG] and its supporting formations in many cities of the country is quite an influential and popular movement today. To a considerable extent, this is linked to the fact that the group's leaders—B. Yeltsin, G. Popov, S. Stankevich, V. Tikhonov, and others—have the opportunity to explain their platform not only at rallies, on television, and in the press, but also at sessions of the USSR Supreme Soviet and at the Congresses of People's Deputies.

In analyzing the draft platform of the MDG (although it still has not been completely drawn up), one cannot help but come to the paradoxical conclusion that in many of

its positions it coincides with the government program supported by the USSR Congress of People's Deputies for improving the health of the economy. Although, as a rule, these positions are given under the badge of criticizing the concept of the USSR Council of Ministers.

Are there differences? Yes, there are, and they are quite significant. First of all, they come down to the time periods and sequence of the proposed reforms. Secondly, in the approaches to certain economic categories determining the nature of social relations (such differences are sometimes caused by a different understanding and interpretation of the terms).

So, just what is the essence of the MDG economic program (authored by G. Popov)? "The basic form of interaction between enterprises," we read, "is a free market and free competition. Market prices are in effect. Anti-monopoly and anti-trust legislation is passed and implemented to preserve the market and competition; in particular, as it applies to enterprises of the state sector. In order to form a true unified unionwide market and reject mandatory state order, a program for turning the ruble into a convertible currency is drawn up immediately and implemented in the shortest possible time."

As you can see, if we talk about the ultimate goal of economic reform, this program coincides completely with what is outlined in the government program. Yes, now the vast majority of economists (and legislators, too) are convinced that only a market-based economy and only free competition of producers can stabilize supply and demand, regulate money circulation and the financial system as a whole, restore the purchasing power of the ruble, and strengthen its rate of exchange. Anti-monopoly legislation? Yes, it is necessary. And a corresponding draft bill is being prepared in the USSR Council of Ministers State Commission for Economic Reform. A program for switching to a convertible ruble? In essence, it has also already been set forth in the government program, only the process is gradual, and here it is necessary to proceed step by step.

Of course, the central aspect of any economic concept is the question of ownership. The MDG platform speaks of the need to make relations of ownership correspond to the level of development of productive forces and to overcome premature universal nationalization of means of production that does not correspond to the level of the modern economy.

If you have followed the debates on this problem at the session of the USSR Supreme Soviet, you probably would agree that the draft submitted for consideration by the deputies corresponds completely with this requirement. A difference is seen only in some wording. Namely, the MDG platform proceeds from the prerequisite that the following should become full-fledged types of ownership in the society: collective joint stock ownership of all members of a labor collective; cooperative ownership; and private ownership. As you know, the concept of private ownership is not contained in the

draft law submitted. In our view, Academician L. Abalkin, deputy chairman of the USSR Council of Ministers, gave a quite convincing explanation for this.

Why was the concept of private ownership not included in the draft? There is also an explanation for this. The specific social and psychological conditions in which certain concepts are used were taken into account. In our country, the term "private ownership" evokes a whole series of not only historical but also contemporary associations. And it is not by chance that two diametrically opposed viewpoints have come to light in all the debates that have taken place recently. Some decisively deny this very concept as it applies to our conditions as much as others decisively insist on its application.

That is why the draft law bears the imprint of a reasonable compromise. Let us recall that three major blocks of ownership are represented in it. These are: ownership by citizens (or individual ownership), which also calls for owning means of production; collective forms of ownership, which include five varieties—leasing, collective enterprises, cooperatives, joint stock companies, and, finally, ownership by public organizations; and state form of ownership, which includes unionwide ownership, republic ownership, and municipal ownership. As the MDG proposes, all forms of ownership are based on the principle of full equality and equal protection.

Although the draft law, after its discussion at the session of the USSR Supreme Soviet, has been sent for additional working to take into account the remarks made, it is obvious that it creates the necessary base for consensus.

### Practice Makes Perfect

The MDG platform contains a special section entitled "The New Social Policy" (authored by T. Zaslavskaya). However, claims to a new word are hardly justified. In essence, the section completely repeats similar provisions of the government program (the difference again being only in the use and understanding of certain terms).

Let us take, for example, the initial paragraph of the section. It states that the state consistently implements a policy of increasing the proportion of national income directed at popular consumption by decreasing the percentage of production accumulation, military spending, and other nonproduction expenditures.

This is all correct. But you would agree that social reorientation of the economy is not simply the government's plan for the future, it is already an accomplished fact! Already last year, as you know, given all its difficulties, the increase in production of group "B" surpassed the increase in group "A."

The MDG social section further states that people are granted the opportunity to acquire on favorable terms the housing they occupy with the right of subsequent resale, leasing, or transfer as an inheritance.

You will agree that here, too, it repeats with some additions one of the most important provisions of the government program, which has found logical embodiment in the draft law on ownership.

Let us take another section of the MDG social platform—on pensions and benefits. It is based on the following basic principles. First, the universal nature of social guarantees of all groups of the nonworking, disabled population. Second, providing money payments from the state budget not below the subsistence minimum. Third, rejecting the setting of a maximum level of benefits and pensions of each type. Fourth, an annual revision of all types of payments depending on the retail price index.

It is possible that the reader will say that we have already encountered something similar somewhere. He is absolutely right. Roughly the same wording is contained in the draft law on pensions drawn up by the government.

A question may arise here. Which came first, and which came second? Perhaps it was not the leaders of the MDG who borrowed their ideas from the government program, but, conversely, the government program that relies to a certain extent on the elaboration of MDG theorists?

If that is true, what is wrong with it? We have repeatedly said that the government program is by no means a product of apparatus creativity. This is a scientifically elaborated document which relies on progressive domestic and foreign experience. It most thoroughly takes into account public opinion, using the many logical ideas advanced by scientists. Compromise solutions have also been put in the program. But how could it be otherwise, if the dispersion of opinions on each fundamental issue is unusually wide? Naturally, it was not possible to reconcile with extreme points of view. And that is why the government program has so many opponents and critics.

That is not so terrible. The times are long gone when any decision made "at the top" was met with unanimous applause (although they often were not carried out later). Today, pluralism of opinions and criticism of many decisions being made are perceived as a quite normal phenomenon. But...criticism is criticism, and work is work. Unfortunately, it is namely here, in the work, that the costs of our democratic reorganization are especially perceptible.

This is not just a matter of interethnic disturbances. It is not just about unjustified strikes. It is not just about unsanctioned rallies and demonstrations. It is a matter of a massive decline in discipline and order in many sectors of production. Unfortunately, no place is found in the MDG platform (or in the platforms of many other movements for that matter) for an analysis of this problem. Apparently, they are placing all hopes on new forms of ownership and market relations, when its Majesty the full-weight ruble in and of itself will arouse in the worker responsibility and self-discipline. But until then, we must cover a still difficult path, inconceivable without discipline and order.

### Right, Left, Which Side?

Many of our sociologists and commentators divide social movements into "left" and "right," following terminology adopted in the West. I would like to emphasize right away that such a qualification is fairly relative in nature. No matter which formation we take, its banners invariably contain the words—"We are in favor of perestroika!" It is just that the concept itself of perestroika is often perceived from various, sometimes diametrically opposed positions.

The other day in the capital, the United Workers Front (OFT) reminded me of itself. Its leaders organized a large rally at Ostankino. The speakers demanded that a decisive barrier be put up against private ownership and a market economy and condemned the actions of the MDG. They also voiced appeals to revive Russian "with an iron hand."

One of the main tasks of the formation, according to the idea of its leaders, is to organize a massive workers movement in support of perestroika and to develop real workers' supervision of the course of reforms. This includes not to permit their orientation on a decrease in the standard of living of workers and a the formation of a property elite, as well as a new bureaucratic elitist parliamentary group of politicians. Of course, the front's program includes a struggle against corruption and social injustice and illegal privileges. What specific content is put into this generally quite vague wording?

Above all, the OFT is extremely critical of the idea itself of today's radical economic reform. In the opinion of its leaders, the deep crisis of the economy is the result of the fact that it (the reform) is squeezing the productive forces of a socialist society into the narrow framework of production relations characteristic of pre-monopoly capitalism.

This process, the authors of the concept maintain, began back in 1985 when the ruble (profit and income) was assigned primary importance, and not satisfying the needs of people, which led the country to stagnation (?). The subsequent reform, even further intensifying the role of profits, turned the crisis into stagnation.

The authors of the concept spare no black words in characterizing all the economic and social processes taking place today. They are convinced that the destruction of the economic basis of socialism is taking place—public ownership of the means of production and development of group egoism ruinous for society—and that a wide social polarization is taking place to please shrewd businessmen from the economy and to the detriment of the interests of the working people. Maintaining the present course of intensifying market relations would bring the country to economic and social collapse.

The authors of the concept must be given credit. They have skillfully used the country's calamitous economic situation. However, they deliberately refused to examine the situation from several other positions. Namely: Haven't all the current difficulties arisen precisely because the economic

reform is being implemented slowly and not comprehensively and because it can reach its conclusion and provide a return only through a number of painful stages? Is it not because a transitional period inevitably weakens the economy, impairing the administrative levers and not having time to replace them with economic levers? Is it not because highly productive labor of people is possible only after they regain the feelings and rights of ownership they lost at one time?

Well, what constructive economic ideas do the leaders of the OFT advance? To move forward means to go back. That is how you could decipher their vague recommendations. Of course, here we are talking about the rejection of value indicators and modernization of those used earlier, reflecting the level of satisfaction of the needs of the population and society as a whole. Here we are talking about creating an effective mechanism of distribution according to labor based on competition (!) and cost-accounting incentives for comprehensive economy of labor costs, reducing prices, and increasing product quality. Here we are talking about—of course!—implementing currency reform in order to expropriate illegally amassed capital and stabilize money circulation.

In short, the "image of the enemy," which populists like so much to try to find, is represented here by "Soviet Boers" and other of our citizens yearning to crawl out of poverty and receive a worthy payment for their initiative-filled and conscientious labor. Why, the slogan "Let it be equally bad for everyone than good for some" also has a magnetic force for a certain portion of the population...

However, there is no reason to be surprised. Even the supporters and followers of Nina Andreyeva today have created their own formation—"an informal organization fighting for Leninism and communist reference points of perestroika"—under the name of "Yedinstvo" [Unity]. It is understandable how such a banner could rally these people. "Restore the historical truth about Stalin and his comrades in arms." The struggle against "bourgeois influence on the process of perestroika," and so forth.

In analyzing the platforms of the social formations that are springing up like mushrooms, one is simply struck by the scope which pluralism of opinions has taken on in our country, developing into a pluralism of actions, from the widely known democratic union to the lesser known "Pamyat". Let us turn to just some of the specific problems that some or other public associations are trying to resolve.

#### Dispute at the Boundary

These are hectic times. The other day, the session of the USSR Supreme Soviet scrupulously discussed the draft Fundamentals of Legislation of the USSR and the Union Republics on Land. The first reading of this draft law took place more than 2 months ago now. But the final hearing evoked quite a number of sharp clashes.

Strictly speaking, the question of land and forms of its ownership long ago became both a political and economic issue in the country. It is not by chance, therefore, that the platforms of certain informal organizations and associations devote considerable space to it. In our country almost one-sixth of the workers are agricultural workers. And this law vitally affects their interests. In addition, those who run private subsidiary farms are also anxiously awaiting new rules on land use. We must also mention the owners of suburban and garden plots or those who dream of having them.

Although, we must clearly imagine that the interests here are far from identical. Kolkhoz and sovkhoz workers expect the right to independent economic management from the Law on Land. This involves farming development and wide leasing. Others want an end finally to various oppressions and extremes concerning private subsidiary farms. And those who would like to have a cottage or to purchase a vacant house in the countryside would like to not have to wander through numerous offices, running into paling bureaucratic obstacles.

Yes, today someone is inclined to give the Law on Land a "utilitarian" importance. Others see in it a great policy, believing that passage of the Law on Land is, in essence, the "February Peace Revolution of 1990."

What kind of slogans do the representatives of the informal movements have? The Interregional Association of Democratic Organizations and Movements of the USSR (MADO), for example, advocates receiving land to own with the right of inheritance. The People's Front of the RSFSR in its program, declaration, and charter sees the local soviets as full-fledged owners of the land. Participants in the "Pamyat" movement advocate implementing agrarian reform with the transfer of land to the peasants and promoting the formation and activities of farming cooperatives.

The author of the section on land reform in the platform of the interregional deputy group [MDG], VASKhNIL Academician V. Tikhonov, advocates ensuring conditions for complete and administratively unrestricted democratic and free choice by peasants of the forms of economic management on the land transferred to them. It is emphasized that each landowner independently decides the form of economic management on the parcel of land belonging to him: in a kolkhoz or sovkhoz, or leaving it with a portion of the accumulated property.

There is no denying, these programs have a positive beginning at their basis and raise the issue of land in the context of today's requirements.

Now let us turn to the government program. Here it is clearly stated that the executive power favors a "decisive shift to development of the agrarian sector based on a diversity of forms of use and disposition of costs." It turns out that there are no fundamental differences in the approach to the question of the right to land. And this fact is reassuring. That means more assurance that we are on the right track.

But here is what is alarming: V. Tikhonov maintains that "immediate forced elimination of sovkhozes and kolkhozes is impossible, although they have also proven their futility and extremely low effectiveness in farming." What are we to understand from this? Today we cannot break up kolkhozes and sovkhozes, but tomorrow, it turns out, we can, for their futility is obvious. But is this the case?

Yes, lately passions with respect to public farms have become quite heated in the country. Fairly influential forces have appeared which see kolkhozes and sovkhozes as the main cause of the food shortage. If that is the case, get rid of them.

Can one agree with such a point of view? One should hardly get it off our back and reject and pull down kolkhoz and sovkhoz production. After all, during the years it was becoming established both the farms and the entire infrastructure were oriented on the appropriate scale of production. Now you can argue yourself hoarse about whether or not it was correct. Most likely, still, a mistake was made. Let us take tractor building for an example. Basically, only powerful tractors go to the rural areas. Of course, the distortion is obvious. After all, in each public farm, where they have dozens of strong plowmen, they also cannot get by without small tractors with the necessary set of pull-type equipment. But there are none. The course toward concentration of production "worked" here, too.

With what should the farmer be equipped today? Not everyone will take a powerful "Belarus." But production of medium and small tractors has not been set up as it should. Unfortunately, such problems exist not only in tractor building.

So, can a newly made farmer immediately handle the production volumes that kolkhozes and sovkhozes provide today? This is hardly possible even in the immediate future. In short, in advocating diversity in forms of economic management on the land, in its program the government set the task of increasing the efficiency of kolkhozes and sovkhozes, including the weak ones.

Is this step logical, or should we take and get rid of the weak farms? Probably, a zealous person and moreover an intelligent economist would consider the first variant correct, of course, not forgetting here about bringing the production relations into compliance. It turns out there is a heated argument at the boundaries of the kolkhozes and sovkhozes, and meanwhile food is not being increased from this. Its shortage is increasing social tension in society. Is it worth making this situation even worse? Maybe it is time to think seriously about tomorrow?

### The "Greens" and Others

What is going on with the environment? Why is the ecological situation growing worse from day to day? These questions concern everyone today. It is not by chance, therefore, that the documents of the Moscow

People's Front (MPF), the Moscow Voluntary Society of Russian Culture "Otechestvo" [Fatherland], and certain other informal associations devote a special place to problems of ecology.

The program of the USSR people's deputies who belong to the interregional group looks quite convincing. It raises the question that soviets at all levels have the real legal and economic levers to affect the nature of economic development and use of the territory. It advances the requirement to intensify the ecological orientation of social and economic development plans.

In analyzing people's reaction to problems of ecology, one instinctively concludes: there is no longer indifference toward the environment. Every citizen understands well that if a barbaric attitude toward it continues, there may be a catastrophe tomorrow.

How do we prevent it? Every region of the country must have a special program for improving the ecological situation, and on the unionwide level a state ecological policy must be drawn up. But the main thing is that a set of interlinked measures must be implemented consistently. To this end, we have to conduct an ecological examination of many enterprises, strive to sharply reduce the energy consumption of the national economy, and reduce exports of nonrenewable natural resources.

Today the government has taken a firm course toward increasing budget appropriations for environmental protection measures. A draft long-term state ecological program has been drawn up.

In short, there are changes for the better. But at the same time, new alarm signals have appeared. The country has begun a mass closing of enterprises in the chemical, medical, paper and pulp, metallurgical, and a number of other sectors under the pretext of their ecological hazard. Are such demands just? Without a doubt. As a rule, strict sanctions are imposed on those production facilities that are unsafe for man and the environment.

Last year and early this year, production was halted at more than 1,000 enterprises. But in this situation there are few who think that a reduction, even a partial one, in the output of certain products brings some arrhythmia.

Just where is the golden mean? And how do we make it so there are no distortions in the "Greens" movement that painfully affect the national economy. There are no ready answers here. But experience prompts us that we need a weighed approach and coordination of actions.

The period of rally euphoria has obviously dragged on. Naturally, no one can now dispute people's right to hold meetings and rallies, to express their opinion, and to assess the phenomena taking place in the country. It is important that these processes be kept within legal limits characteristic of a civilized society. It is necessary that they not threaten the normal life of fellow citizens. And that is why we should accelerate in every possible way the drafting and passage of legal fundamentals for the

activities of public organizations and mass movements in the course of democratization of society.

Let there be both pluralism of opinions and pluralism of movements. But is a movement conceivable without rules? After all, in the final analysis, we all would like to arrive at a consolidation of forces, for the sake of progress and for the sake of true perestroika.

## PLANNING, PLAN IMPLEMENTATION

### 'High Degree' of Centralized Planning To Continue in Next FYP

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[Article by B. Rayzberg, doctor of economic and engineering sciences: "The Painful Aspects of Drafting the 13th Five-Year Plan"]

[Text] It seems at first that there is still time ahead—practically a year, to talk and write about drafting the 13th Five-Year Plan in calm tones, less emotionally than indicated in this article's title. Still there are grounds for doubts, anxiety, concern, and, most important, for realizing the need for urgent measures to ensure its high quality. We cannot allow recurrences of the old diseases of planning, and, still more important, we have to prevent the occurrence of unexpected new flaws in the planning effort, like those which, as the experience from the first years of perestroika is showing, are capable of cropping up even when the economic mechanism that is undergoing renewal is operative.

The coming period has important specific features which must not escape attention. To be specific, the drafting of the new 5-year plan must be free of clichés in its economic and organizational aspects and in its methods since many features of its structure are unique in the sense that however much they may differ from the past methods in planning work, they are still not reproducing those of the future, but represent a transition to them.

I would like to note first of all that in the present 5-year planning period many adversities in the economy can be attributed to the fact that its formation took place in the initial period of perestroika, when the conception of the radical reform of management was just being worked out. The new decisions concerning the major transformation of planning and management (including the Law on the State Enterprise, the Law on the Cooperative, and the package of decrees on restructuring management of the economy) were adopted after the 5-year plan was drafted. And since the latter itself has the status of a law, it was as it were unbecoming to contradict it. That accounts for the effort to fit the standard economic rates being introduced into the current 5-year plan, its appreciable impact on the makeup of the state order, and the noticeable restriction of the independence of enterprises in planning and management.

Taking into account the inaugural nature of the 12th FYP (as the first stage of economic restructuring), the joint operation of the old and new economic methods during this period, the difficulties of the transition and assimilation of full cost accounting (*khozyaystvenny raschet*) and self-financing, the existence of inhibiting factors, and certain unsuccessful steps in carrying out the economic reform, the conclusion can be drawn that not much should have been expected of it. And the population as a whole has perceived with a certain understanding the insufficiency of the real changes taking place in the economy during the current 5-year planning period and felt through the parameters of the standard of living. At the same time, the shortages, the inflation, and the financial instability have pushed patience to the limit.

The upcoming 5-year planning period is expected to really signify a new qualitative aspect of economic growth, transformed into the quality of the prosperity of the people, social development, and economic stabilization. The causes and factors which it is now legitimate and permissible to attribute to some degree to the objective conditions of the first period of perestroika and to use as a justification of temporary difficulties, will even in the near future begin to be perceived as excuses and obvious camouflage. If today's intentions do not turn into tomorrow's deeds, of which the upcoming 5-year plan is expected to be the prototype, irreparable damage will be done to perestroika, and it will be utterly discredited in its economic aspect.

In the light of what we have said, the most difficult problems that have to be solved are these: incorporating into the next 5-year plan reliable ways of getting out of the economic crisis and carrying the economy over to a stable and consistently upward trajectory and of eliminating the most dangerous sources of social tension. But they should not be overcomplicated, we are not talking about some gigantic leap—that is not done in 5 years, nor does anyone expect it. The people expect only concrete and visibly perceptible and stable economic changes for the better, changes that are perceptible to every person, every family, and every social group. It is an equally urgent problem for the upcoming 5-year period to carry out the comprehensive program for making the transition to the new economic methods (but to do this more successfully than during the 12th FYP).

We are already lagging noticeably behind in drafting the new 5-year plan; there are disturbing symptoms that indicate a state of affairs in this regard that is to some extent indefinite or even unfavorable. There is justified anxiety not only because work has dragged out in preparing the form of the plan for the next 5-year planning period, but also because of the present state of national economic planning in general, because of the attitude toward it on the part of bodies and individuals involved in one way or another in management of the economy through the plan. A situation is coming about in which planning, especially 5-year planning, is finding itself as it

were off the main road which the locomotive of perestroika is traveling, at present essentially only one "planning" car has been attached to it (the locomotive), and it is marked the "state order."

This should not be taken to mean that plans and planning in general have not been receiving attention. Specific current plans, their fulfillment and nonfulfillment, and planning targets for the coming year are constantly in the field of vision, analysis, and monitoring of party, state, and economic authorities and people's deputies. This is quite evident from the discussions in sessions of the USSR Supreme Soviet concerning adoption of the plan for economic and social development in 1990.

Yet the discussion of what methodology, organization, and planning technology should be like under the new economic conditions, in the spirit of the radical reform of management of the economy, comes down essentially to the state order, indeed even the annual state order: Is it perhaps not too large, and what does it contain? But, after all, the plan is not just the state order, but an all-encompassing model of the future state and development of the economy and of the social sphere.

The most important principles for restructuring the planning system in the course of carrying out the radical economic reform and creating an integral system for management of the socialist economy were formulated in the decisions of the 27th CPSU Congress and the June (1987) Plenum of the CPSU Central Committee. These conceptual principles were reflected in specific terms in an article devoted to this matter in the USSR Law on the State Enterprise, which was adopted in 1987. What is more, the strategies for increasing the effectiveness of state planning by restricting excessive centralization, through broad use of economic methods of conducting economic activity, and through the combination of planning with cost accounting and money-exchange relations, were reflected in the decree of the CPSU Central Committee and USSR Council of Ministers adopted 12 July 1987 and entitled "On the Restructuring of Planning and Enhancement of the Role of USSR Gosplan Under the New Economic Conditions."

But so far these decisions have been implemented only partially: certain elements of the extensive program outlined for transforming the forms and methods of planning work at all levels of management of the economy have been accomplished. With respect to a number of other elements, this program is not being carried out. For instance, even the first necessary steps have not been taken in restructuring 5-year planning, even though the new 5-year planning period is inexorably approaching. What is more, recently the problems of radical changes in the methods of organizing 5-year planning have hardly been mentioned at all, just as though there were none. Quite often now there have been statements in the press such as: "But do we need a 5-year plan at all? Should it not be replaced by a set of comprehensive target programs?"

The tendency to solve major economic problems not on the basis of a plan, but by means of local measures adopted with urgency and not built into a state plan, in a number of cases indeed destroying it, is manifested at this point still more than in past years. Just as before, the fashionable rule of action is "what is urgent displaces what is important," and because not enough attention is being paid to the major problems of planning, there is a growing pile of current, day-to-day problems being solved firefighter fashion. Emphasis is being put primarily on restructuring that portion of the economic mechanism which is associated with the models of cost accounting, remuneration of labor, leasing, taxes, the cooperative, and prices. There is no question about it—these are the weakest points of the economic mechanism, and they do need to be strengthened in every way as a first order of business. But this can be done only in the closest and more direct interrelationship with planning, which has been and to a large extent must continue to be the leading implement for carrying out the economic strategy and policy, the pivot of the entire system for management of social production.

The turn which we have seen the economic reform take toward economic incentives and levers, the departure from a number of major problems of 5-year planning, can apparently be explained in terms of the deep-seated psychology of "either the plan or the market." What is more, some economists have begun to speak about national economic planning in no other terms than as the principal source and first cause of all the troubles in the economy, as the imaginary advantage of socialism. Which in fact accounts for attempts to push central planning into the shade so that it will not hinder development of the free socialist market. Meanwhile, the only acceptable psychology for perestroika must in our view be expressed by the formula "both the plan and the market," and the entire experience of carrying out the reform has precisely consisted of combining them skillfully, of adjusting their unity and interaction. I would like to point out to advocates of the free market that contemporary capitalism, in spite of conceptions that prevail, combines planned and market-oriented management. This indicates the universal nature of the law of planned and proportional economic development.

It is difficult to agree with the position that holds that the plan is secondary to the market. For instance, an article entitled "The Radical Economic Reform, the Immediate and Long-Term Measures," published in *EKONOMICHESKAYA GAZETA* (No 43, 1989, pp 4-7), rightly states that the plan for the 13th FYP must define a realistic dynamic behavior for prices, remuneration, and other personal income for the years of the 5-year period, linked to the financial balance of the state, and envisage the necessary measures and reserves for regulating these parameters. But the article also says that during the transitional period planning must supplement the market and regulate it, distributing both the state orders and products delivered under the state orders. It

would seem that the second statement, when it refers to "supplementing," is inadmissible and contradicts the first.

The entire experience in carrying out the economic reform indicates that the hasty removal of the problems of remuneration of labor and negotiated prices from the zone of central planning, the premature and unprepared transition of enterprises to self-planning, the creation of the off-plan cooperative sector with tax benefits have in fact led the country to the verge of economic disaster. The move toward the market and money-exchange relations needs to be made, relying on central planning, pushing off from it through consistent transformation, not in fruitless attempts to instantaneously wrench a number of pieces away from the embraces of planning and immediately put them at the mercy of an unformed market.

While acknowledging the need to get away from rigid central planning with the force of directive and to move in the direction of commodity-money relations and market-oriented regulation, we cannot but take into account that we have become too accustomed to centralism and at present are not ready to grasp the freedom of economic behavior. Measures in this direction which have not been thought through and have not been sufficiently substantiated tend instead to engender not the efficiency and quality we need so badly, but a scramble for income that has not been earned and easy profit, compounded by the group egoism of production collectives. Articles by a number of journalists<sup>1</sup> who assert that our salvation lies in immediate rejection of central planning and rapid transition to the market seem frivolous and irresponsible in this light. Both are impossible, faulty, and even absurd.

The point is not at all that a transition as it were from socialism to capitalism is implied. The point is that unless we want to spoil the economy and destroy the economic system, then we must understand that the transition to commodity-money and market-oriented relations has to be done by carrying out a thoroughly prepared, well-thought-out, long-range, and, what is more, painful program. We have already seen what comes of rapid hit-and-run cavalry attacks with the examples of liberalizing the system of remuneration and increasing income, with the cooperative movement, and with the off-plan wine-and-vodka campaign. Is it not thanks to these transformations, which were as resolute as they were unprepared, for which, incidentally, certain populist economists had issued heart-rending appeals, that we mainly owe the unfavorable picture in the economy which we have to look at today?

I will express a thought which will seem seditious to many: If in the future we are to accomplish decentralization, the transition to a socialist market, to economic methods of management, to economic independence of enterprises with the greatest confidence and painlessness, then at this point we must in many respects go back to centralization, to the mandatory plan, to rigid regulation of finances and prices. We should begin with the

initial positions, but take into account both the adverse and constructive experience that has been gained. In moving forward, not under the influence of emotional motives and in sporadic bursts, but regulating according to plan the long-term program of socioeconomic and managerial transformations, move step by step from the familiar administrative-directive system to the democratic system of management, to economic methods, and at the same time correct the consequences of the mistakes that came both before and during perestroika. I submit that it is from these positions that we must above all approach the formation of the new 5-year plan.

The key problems in 5-year planning in the present stage lie mainly in three planes: the economic, the methodological, and the organizational. We will examine them in each of the aspects we have mentioned.

The method, technology, and organization of 5-year planning, transformed as they must be to be applied in structuring the 13th FYP, are called upon to reflect both the restructuring of planning work in accordance with the reform of management and also its new economic content. The primary task of the future 5-year plan is to guarantee that the economy leaves its unfavorable state for a qualitatively different trajectory of socioeconomic development. Consequently, the shaping of the plan requires a clear vision of the social and economic tasks of the 5-year period, the sound setting of goals, identification of priorities, and prior selection of the preferred methods of solving the problems of the economy.

In formal terms, it is not difficult to derive the economic problems and planning indicators of the 13th FYP from the indicators previously outlined for the year 2000, adjusted for the level of economic development anticipated at the end of the present 5-year planning period. But this cannot be seen as the optimum way of establishing the initial positions of the 5-year plan. With all due respect for the party and government decisions and programmatic documents adopted earlier, indeed even during the period of perestroika, it would in our opinion be an unforgivable mistake to establish the target indicators of the plan for the coming 5-year period as an average between those anticipated in 1990 and those outlined for the year 2000.

The Basic Directions for Economic and Social Development Over the Period up to the Year 2000 were formed in the 1st half of 1986, when it was impossible to foresee with confidence how perestroika would go in the economy, in politics, and in the social sphere, and to predict those exceedingly important military-political changes and actions in the field of disarmament which we have been witnessing today. And all these factors taken together have a profound impact on the Soviet economy and influence the plan of the coming 5-year period in a very major way. Need we be dogmatists and blindly pray for economic indicators and principles even if they have been set down in such solid documents as the CPSU Program?

Opponents who do not agree with the opinion just expressed may, of course, refer to the painful reaction which could be provoked in the Soviet people by yet another revision of the general perspective that has already been outlined (an inevitable comparison is made between the striking feature of the real picture of the country's economic state in the eighties and the picture promised by programmatic documents adopted at various times). But it does not seem that there is a basis for such fears. The seriousness of the economic situation in the country is so great that the overwhelming majority of people have forgotten about the programmatic aims for the year 2000 contained in the plan probably recalling only the promises to supply every family a separate apartment or dwelling. No one will reproach us if a "bright future" does not follow from the plan; people want an acceptable present.

The Conception of the Economic and Social Development of the USSR Over the Period up to the Year 2005, drafted by USSR Gosplan with the help of the union republics, ministries and departments, and scientific organizations, and containing socioeconomic reference points for the first 5-year period of the 15-year time frame, should provide significant support in sketching the socioeconomic shape of the 13th FYP. Without denying the role of the long-range Conception in that effort, we would like to emphasize that the existence of an overall picture of socioeconomic conceptions over the long range at best makes it somewhat easier to draft the next 5-year plan, but it does not solve the basic problems of its creation. The conception of 15-year development, which could be drafted only in the most general outlines, and the 5-year plan, which constitutes a substantive and specific set of instruments for implementing a particular economic policy in a future that is near to hand, have rather different tasks. It is legitimate for the Conception to gravitate toward long-range problems to be solved over several 5-year planning periods. And although these problems are undoubtedly represented in the first 5-year period of the 15-year time frame, it is in the nature of the 5-year plan to gravitate toward more thorough examination of that group of socioeconomic tasks whose urgency is particularly great in the period in question and which can mainly be coped with in 5 years.

The specific task of the 13th FYP is not so much to stand as a portion of a long-term socioeconomic program as to be a plan for recovery of the economy, for financial stabilization, for combating shortages, the black market, and inflation, for reliable satisfaction of the most immediate needs of life, and to strengthen the social orientation of economic development and its respect for the environment. A full description of socioeconomic aspects and peculiarities of the new 5-year plan is not the topic of this article. But still we cannot fail to touch upon certain of the most acute problems which could cause serious difficulties during the plan's drafting.

We will begin with the social purpose of the plan, especially since invigoration of social welfare policy is one of the leading goals that has been inscribed on the banner of

perestroika. Quite important economic measures have already been adopted in that direction: programs have begun to be carried out for qualitative transformation of the systems of health care, education, environmental protection, and solution of the housing problem. These programs are to be incorporated into the plan for the 13th FYP. But we must realize that in 5 years it is not practically possible to perform them, and that is why they constitute a project in long-range planning.

What is the decisive social function of the upcoming 5-year plan? We believe that the course should be taken toward attainment of the necessary and required (that is, determined by the present-day conditions of life) level of satisfaction of the most immediate needs for food, clothing, footwear, services, and durable goods and housewares, and to completely cover the effective demand of the population. Put simply, we have to do a good job of feeding the people and a fair job of clothing them, eliminate lines, and guarantee the comforts of life for all strata of society and social groups.

Performance of a social program of that kind requires considerable efforts and means, physical and financial resources, a major structural revamping of the economy, and a change of present approaches and priorities. We are assuming that in the coming 5-year period the economic capabilities of the USSR will expand somewhat because of the rise of production efficiency and the quality of effort resulting from renewal of the economic mechanism. But the principal effort at this point should be put on transformation of structural policy. Its essence, by contrast with traditional approaches, is to accomplish the following economic maneuvers:

- to invest a sizable portion of available supplies and equipment, financial resources, and foreign exchange in development of branches producing goods and rendering services to the public (but within the limits of capability), with a corresponding redistribution of labor resources;
- to cut back, to defer, or to shut down and mothball global and sometimes ambitious programs and projects which do not make an immediate contribution to satisfying the most immediate social needs of the people and accelerating scientific-technical progress;
- to reorient a number of branches and subbranches of the economy (in particular, the defense industry, whose capacities are becoming available because of disarmament) to the production or support of the production of consumer goods and services;
- to expand foreign exchange capabilities by developing exports and reducing imports of products which can be produced by the economy, with a sizable portion of foreign exchange shifted to the importation of those goods for which the need is not being met.

Along with these measures, it is advisable and unmistakably necessary to orient the 13th FYP toward the actions declared long ago, but accomplished slowly, to switch the economy from the tasks of augmenting the rates and

volume of production to the achievement of a high technical level and quality, to reduction of the number of new construction projects, to changing their structure on behalf of social programs, the goals of regional development, environmental protection, to practical implementation of the course toward retooling and reconstruction of existing production using present-day advances of science and practice. Improvement of economic cooperation with the socialist countries and revision of foreign economic programs from the standpoint of ensuring that they are mutually beneficial constitute yet another reserve for the next 5-year plan.

For all the acuteness of the social problems of the upcoming 5-year period, in compiling the plan we need to observe most strictly the rule of "not planning a single measure without real financial and material sources."

If in the initial stage of perestroika it was assumed that we would enter the thirteenth 5-year planning period with a new economic mechanism already adjusted, it is clear now that that mechanism will have to be shaped in the coming 5-year period. That makes it necessary to draft the plan for socioeconomic development jointly with the program for carrying out the radical reform of management of the economy, which is only now coming into being. What is more, not only changes resulting from the profound social and structural revamping of the economy, but also those that reflect the course of the reform toward diversity of forms of ownership, transformation of the sectoral and regional structure of management, the economic sovereignty of the union republics and regions, transformation of the mechanism for distribution of the income of enterprises, the system of remuneration of labor, the tax system, and the pricing system have to be incorporated into the method of 5-year planning. Under those conditions, the problems of finance and the circulation of money are in need of far closer integration of socioeconomic and financial-budget planning for the 5-year period than the methods applied earlier.

We will be frank: As of this day, we still do not possess that kind of method for shaping the next 5-year plan either at the level of central, republic, and sectoral management authorities, or in enterprises and associations. What is worse, this circumstance is not causing serious concern. We are seeing the effect of a deep-seated idea to the effect that the main thing is to know the economic problems and to seek ways of solving them, including by means of planning, and the method used in drafting the plan is something secondary. However, and there is no doubt about this, the method, technology, and organization of the drafting of the plan do have a decisive effect on its quality.

So far, USSR Gosplan and its scientific-research organizations have prepared a preliminary draft of the recommendations (this is already a definite step toward democratization of planning; after all, previously they were instructions) as to methods of drafting the future 5-year plan at the level of central planning authorities, union republics, sectors of the economy, and intersector

complexes, which, to be sure, has been lying in the same place for more than a year. It is still more important to create a new method of 5-year planning for enterprises and associations. This is a task that cannot be postponed; it needs to be tackled immediately.

Beginning in 1987, annual plans have been drafted with the following structure: the reference figures, the state order, standard economic rates and allowances, limit-allowances, which brings them closer to the new model of 5-year planning. But by no means all the procedures are the same for drafting the annual and 5-year plans. Experience has shown that the experience gained during the current 5-year period in establishing the standard economic rates and allowances of annual plans on the basis of the indicators of the 5-year plan cannot be carried over to the new 5-year period. If this approach were used again, this would discredit the idea of the standard economic rates and allowances (what is more, they are mainly to be replaced by taxes). The 5-year standard rates and allowances (tax rates) need to be formed not after the plan, but as an integral part of it, above all on the basis of the task of guaranteeing its internal financial consistency.

The major problem of the reform of planning is to switch the drafting of the 5-year plan from a search for rates of economic growth and corresponding volume indicators of the production of particular products, which is inherent in the method that is so familiar, to the area of substantiating the targets, defining optimum structures and proportions in development of production and consumption, finding strategies and indicators that lift the economy out of its state of crisis and stabilize its development, guaranteeing satisfaction of the effective demand of the public and its most immediate needs, and aiding the transition to the trajectory of efficient and intensive operation. But it does not follow at all that we have to renounce altogether the setting of growth rates and volume indicators and establishing them in the plan; without that, it is essentially impossible to draft the plan.

But probably the most acute methodological problem is how to construct the new 5-year plan so that it harmoniously combines the centralized principle, the purposes of the entire nation, with the planned independence of enterprises and associations, with their natural desire to look above all to their own interests. What methods are to be used to merge the central plan and the independent plans of the basic economic entity to form a single 5-year state plan for the country's economic and social development? There is no whole, well-thought-out, and substantiated method for establishing the measure and procedures of guaranteeing planned centralism and for "vertical" unification of plans. Another disturbing problem is that of reflecting in the 5-year plan the "horizontal" ties (between producers and consumers) since contractual relations, which are expected to create the basis of the socialist market, still have not acquired the necessary strength and effectiveness.

We will express certain opinions about possible ways of solving these problems which are by no means beyond debate. The structure of the 13th FYP, its indicators, the level of centralization of planning decisions, and the degree to which the measures of the plan are binding and specifically assigned, must, we are convinced, reflect the extraordinary situation that has come about in the economy, which will have to be rectified not only in 1990, but also in the initial period of the new 5-year plan. The particular acuteness of the socioeconomic problems, the mistakes of the brief introduction of unprepared forms of cost accounting and self-management, and the absence in society of the moral and psychological foundation for the transition to market relations—all of this is indication that in the 13th FYP a high level of centralization of planning and the binding nature of the planning targets “from above” are inevitable, in any case during its first years. Only to the extent of plan-guided and plan-ensured “degovernmentalization” of the forms of ownership, assimilation of contractual and commodity-money relations, creation of a market saturated with goods, and the strengthening of the ruble is it permissible and necessary to make the transition from centralized directive planning to purely economic forms of centralization, to self-planning, to imparting to the 5-year plan the form of a plan that gives direction and motivation and represents a synthesis of the plans of associations and enterprises.

The following appear necessary in this light:

- in the first years of the 5-year period or all the way until the crisis situation is overcome to give to the reference figures and targets of USSR Gosplan for the 13th FYP the character not of recommendations, but of assignments (at least for state enterprises);
- to encompass with the reference figures of the 5-year plan not only the production and delivery of products, but also the decisive indicators of the financial activity of sectors, associations, and enterprises, using them to supplement the operation of the tax system in those sectors and spheres where it proves not to be sufficiently effective or runs counter to the tasks of raising efficiency and quality and guaranteeing balance;
- encompassing with the planned state order the most important spheres of the vital supply of the economy and population, breaking it down to state enterprises as a directive and to others as a contractual order and envisaging a reduction of its size as saturation with goods and services comes about;
- to form the reference figures and the state order by years within the limits of the 5-year plan in such a way as to leave enterprises a continuously expanding zone of independence in their economic activity, as they form market and commodity-money relations in this zone;
- to link the 5-year plan with respect to all its value indicators to the accomplishment in the 13th FYP of the reform of pricing, to the transition to the system of state, regional, contractual, and other prices, i.e., to place the 5-year plan on a real price base.

In view of the extremely high level of unpredictability and indeterminacy of socioeconomic processes in the coming period, and the need for successive (from year to year of the 5-year period) transition from directive to economic methods of bringing the plan to bear, the 5-year plan should not be constructed in its annual breakdown with excessive detail, precisely and rigidly, but should rather take the form of planned reference points and indicators stated in intervals. Even then, we will not get away from the shifting of indicators and their revisions in subsequent annual plans, which still remain the most important form of planning.

The methods used as a set of instruments for substantiating and drafting the 5-year plan, which must include forecasting, balancing, normative, target-program, and mathematical-economic methods, are expected to be specific to a certain extent. Particular emphasis needs to be put on analytical calculations and estimates, but without striving in this effort for an “illusory precision.” The limits for application of normative and target-program planning should be broadened in that light.

The decrees adopted on the restructuring of planning envisaged a three-stage scheme for forming the 5-year plan. According to that scheme, a draft of the Conception for Economic and Social Development for the 15-Year Period is first prepared by central planning authorities and scientific organizations. In the second stage, relying on the approved Conception, the central authorities, with the help of leading associations and enterprises, compile the draft of the Basic Directions for Economic and Social Development up to the Year 2005, with detailed indicators for the thirteenth 5-year planning period, which is put up for nationwide discussion and serves as the basis for drafting the 5-year plan. This work was to have been done in 1989.

In the third stage, USSR Gosplan, proceeding from the Basic Directions... after adoption, was supposed to establish and break down to republic and sector authorities no later than the beginning of 1990, and the latter to associations and enterprises—the initial data they need for drafting the 5-year plan (reference figures, the state order, the standard economic rate and allowance, limit-allowances for centrally allocated resources). It was thought that on the basis of these initial data and orders of consumers enterprises, associations, and organizations would independently draft their own 5-year plans and clear them with regional authorities with respect to a number of aspects of development of the social sphere, the production of consumer goods, construction and labor resources. Then the sector and regional authorities form draft plans for sectors and regions, and USSR Gosplan, with their help, compiles the draft of the state 5-year plan and submits it to the USSR Council of Ministers no later than 5 months before the beginning of 1991.

It is quite obvious that this organizational scheme has already collapsed both in its content and in terms of time. A new organizational model has to be urgently created for the

drafting and adoption of the 13th FYP in view of the date for convening the 28th CPSU Congress and the need for adoption of the new 5-year plan by the USSR Supreme Soviet and Congress of People's Deputies.

In view of the situation that has come about, it seems advisable to depart from the three-stage scheme and urgently prepare in USSR Gosplan the conception of the 13th FYP, which moreover would not be directly related to the destiny of the long-range Conception up to the Year 2005, but would use its material. The conception of the 5-year plan must be drafted in close unity with the Program for Carrying Out the Radical Reform of Management of the Economy. Then, this conception should be submitted for examination by commissions of the USSR Supreme Soviet and subsequently submitted to the Congress of People's Deputies. At the same time, relying on the 5-year conception, the initial data have to be urgently formed for drafting proposals for the 5-year plan by union republics, ministries, departments, enterprises, and associations. Once it has received from the USSR Supreme Soviet and Congress of People's Deputies criticism of the conception of the 5-year plan and recommendations from enterprises, associations, ministries, departments, and union republics, USSR Gosplan draws up a version of the 5-year plan and submits it to the USSR Council of Ministers for final examination in the 28th CPSU Congress, the USSR Supreme Soviet, and the Congress of People's Deputies.

Although it is no simple matter to accomplish even this organizational scheme for preparing the 13th FYP because of the limited time, it still affords the fundamental possibility of adopting the plan before the 5-year planning period begins. Otherwise we will inevitably slide back into the habit of adopting the plan after the 5-year planning period begins, which was ingrained in the years of the stagnant period.

#### Footnote

1. Articles of this kind in popular magazines, unless they are counteracted with well-argued constructive criticism, are capable of generating mistaken public opinion.

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#### Gossnab Official Cites Factors Impeding Wholesale Contracts

904A0213A Moscow PLANOVYOE KHOZYAYSTVO in Russian No 1, Jan 90 pp 30-34

[Interview with Boris Mikhaylovich Yakovlev, deputy chairman of USSR Gossnab, by O. Yefimov: "The Contract as the Basis for Organizing Fulfillment of the Plan"]

[Text] The problems of material and technical supply of enterprises and associations with the necessary resources have attracted great attention during discussion of the draft plan for the country's economic and social development in 1990 in the session of the USSR Supreme Soviet. The

editors have asked B.M. Yakovlev, deputy chairman of USSR Gossnab, to tell about progress in concluding contracts for the new year of business operation.

[Yefimov] Boris Mikhaylovich! I talked with you a year ago about progress in conclusion of contracts between enterprises for 1989. At that time, you noted serious difficulties in conducting that drive and told about the effort of USSR Gossnab to correct them. How is the situation with conclusion of contracts shaping up now?

[Yakovlev] This year, the conclusion of contracts among enterprises has been better organized than earlier, although not all the problems have been solved, and many difficulties remain. By mid-November, 85 percent of all enterprises of ministries, concerns, and associations of branches producing mostly products for production purposes had concluded contracts, and if we include agreements of suppliers with regional authorities of USSR Gossnab and Agrosnab as wholesale purchasers, that level was 94 percent.

Since in the final analysis the balance of production plans with material and technical resources depends on the conclusion of contracts, this effort in 1989 began considerably earlier than in previous years. Fairs for products for production and technical purposes on whose sale restrictions have been lifted were held back in March and April.

We consider the First All-Union Industrial Fair in Donetsk, which was held in September 1989 and in which more than 5,000 industrial enterprises and all regional authorities and departments of USSR Gossnab, USSR Gosplan, USSR Gosarbitrazh, etc., took part, to have been one of the important measures contributing to better organization of the effort. Contracts and contractual agreements were concluded at it for a face value of 75 billion rubles, and auctions were held to sell above-quota output. But the figures do not tell the whole story. What was fundamentally new about this fair was that the approach was comprehensive. The distinguishing characteristic of the Donetsk fair was above all its multipurpose program and the fact that a large range of products were sold at it. Every enterprise figured as both supplier and consumer. The fair made it possible for representatives of enterprises and associations to gain a far better and more thorough familiarity with the kind of demand there is for their products and the customers who are interested, to broaden the group of their suppliers, and to get a fuller feel, if it can be put that way, for the market of machines and equipment and industrial materials.

An important effort was made at the fair by departments and regional components of USSR Gossnab. They helped the trading partners to find one another, they took part in the negotiations, and they furthered the conclusion of contracts for delivery of products. But this is only one aspect of their activity. Mainly it was representatives of large enterprises that came to the fair and took part. That is why it has become widespread practice for contractual agreements to be concluded

between suppliers and the main regional administrations of USSR Gosstab as wholesale purchasers of industrial products that figure as middlemen coordinating the sale of products by manufacturing enterprises located in their region, along with conclusion of contracts of regional components as wholesale suppliers with consumers, above all small and medium-sized customers. This was advantageous both to the suppliers, since large lots were ordered and they dealt with only one customer, and also to small enterprises and organizations, the consumers, since they did not have to search out a supplier for each particular material or intermediate product and expend time and labor on that. What is more, it is well-known that enterprises are reluctant to undertake to fulfill small orders, since problems arise in shipping them. On the whole, I think that the fair played a constructive role in the conclusion of contracts among enterprises, and there is no question that they should be conducted in the future as well.

But, of course, the fairs cannot solve all the problems, nor indeed does everything depend on them. It has to be acknowledged at once that in spite of the demands which the USSR Council of Ministers presented to the top officials of USSR ministries and departments and councils of ministers of union republics on behalf of full internal consistency of the 1990 plan to radically alter the attitude toward organizing and conducting the drive for conclusion of contracts, to invigorate substantially the direct effort with work collectives of enterprises, and to prevent a drop in the volume of output, especially of products for which the need of the economy is not being met, and to resolutely interdict the grabbing attitudes of certain enterprises, the effort they have made in that direction, we will put it straight, has been poor. This is evident both in the refusal of a number of enterprises to renew established old ties and in the termination of production of particular products, displaying here group egoism, and in the adoption of plans by enterprises that are set below the reference figures. It is difficult to give any figures here, since they are changing all the time, but in the last 1.5 months of the old business year old enterprises of USSR Minmetallurgiya adopted plans that were 2.7 billion rubles below the reference figures, and room was not allowed for all the orders for rolled metal products, steel and cast iron pipe, metal products (steel wire and cable), refractories, and certain types of non-ferrous metals.

At present, there are plans below the reference figures in enterprises belonging to the wood-chemical complex (2.3 billion rubles) and the machinebuilding complex (2.1 billion rubles) and a number of other complexes. A number of enterprises in the machinebuilding complex are refusing to conclude contracts with consumers even for products used within the branch, which ultimately results in refusals to consumers in other branches. For instance, the Cheboksary Electrical Devices Plant of USSR Minelektrotekhpribor refused to deliver 16,000 relays to the Kiev "Elektrotekhpribor" PO in the same

ministry, and as a consequence the association was unable to conclude contracts worth 4 million rubles with consumers of its product.

There is another cause that is seriously holding back the conclusion of contracts and indeed is in general adversely affecting the state of the country's economy. The production of certain products in acutely short supply has been terminated by decision of local government authorities. Moreover, the retirement of these capacities has not been compensated in any way, which makes it considerably more complicated to supply the economy. At the Klaypeda (Lithuanian SSR) and Sloka (Latvian SSR) Pulp and Paper Combines and a number of other enterprises, a shutdown of the production of paper pulp is planned as of 1 January 1990 (for environmental reasons), which will result in a considerable reduction of paper and cardboard, of which we are already short. But shutting down harmful production operations is by no means the best method of fighting for protection of the environment. The state will have to look for additional foreign exchange with which to purchase these products abroad (by reducing purchases of other products needed by the economy, including even consumer goods), and here it has to be taken into account that if there is additional demand on the external market, then the prices of those products rise instantly, or a new production operation has to be organized somewhere at some other place, which also involves many problems, and the main thing is that it requires considerable time and resources. The present-day development of science makes it possible to sharply reduce or else completely eliminate the harmful effect of industrial production operations on nature. In closing down enterprises, local authorities must think about who and in what manner is going to supply to consumers the products whose production is being terminated.

It has to be admitted that the conclusion of contracts with consumers has also been complicated to a considerable degree by the passive stance of many ministries in solving the problems of normalizing the operation of subordinate organizations. Here, we are referring, of course, not to departmental dictate, but to a joint effort of enterprise collectives and ministry subdivisions in shaping and fulfilling the plan for 1990.

[Yefimov] During the contract campaign a number of enterprises and associations again showed a desire to pick up from consumer enterprises additional materials of various kinds that are in short supply, finished products, and in a number of cases even foreign exchange. What is your assessment of that situation?

[Yakovlev] I would not like to start criticizing everyone indiscriminately at this point. An analysis of such cases shows that quite often enterprises are not trying to pick up for themselves any additional material advantages, but to some degree securing for themselves a better guarantee that they will have the resources they need in good time, including resources to produce products over and above the plan. After all, priority in the allocation

and delivery of physical resources is going mainly to the state order, and the enterprises themselves are out looking for resources to cover the remainder of the plan. It is equally necessary to speak about foreign exchange. In my view, this problem needs a solution all its own. After all, in view of the fact that everything in the country's economy is interrelated, if some enterprise delivers to another enterprise components, high-quality materials, fuel and energy, and the finished products manufactured from those materials are sold for foreign exchange, then the first enterprise does deserve some of the credit for this, and it has a right to claim some portion of the foreign exchange. Cases are well-known in which enterprises supplying raw materials sever their old ties and go on to the external market on their own in order to obtain the foreign exchange they need. But the country only loses from this practice (to be specific, this is happening now with fur pelts). Would it not be better to redistribute foreign exchange within the country than for everyone to try to obtain it on its own.

But all we have said does not signify by any means that I want to justify the desire of suppliers to pick up something more to benefit themselves. It has to be admitted at once that there are also quite a few examples of a simple desire to take advantage of the difficulties in supplying a number of particularly scarce products. Gossnab is waging a determined fight against this, using various methods. One of them is the mediation of regional components in supplying enterprises the raw materials and equipment they need, including acquisitions for foreign exchange, but also through barter operations conducted through "Vneshpromtekhnobmen." Regional components assume obligations to deliver these resources, including those which are imported, within a certain time, and the enterprise delivers to them a portion of its products produced over and above the plan or transfers the foreign exchange. This saves time and resources, and the regional components are freer in supplying their customers and spend the foreign exchange more optimally. It is obvious that this practice should be continued in the future.

[Yefimov] You mentioned the desire of enterprises to go onto the external market on their own. But we know from the press that quite often enterprises sell their products which are acutely needed within the country and for which there is a high internal demand. How is this contradiction to be resolved, who regulates the sale of products on the external market, and what might the role of USSR Gossnab be here?

[Yakovlev] At the present time, enterprises must obtain a license from the appropriate department to sell their products on the external market, and as a rule the granting of that license must be cleared with USSR Gossnab. And we cannot, of course, allow the interests of the country to suffer through this. Our enterprises and the products they produce are the property of the state, and when it extends to collectives of enterprises the right to dispose of a portion of their output, the state's point of departure is that the interests of the country will even in

this case prevail, and group interests will not grow into group egoism. Otherwise, some work collectives will gain at the expense of others, and operation of the principle of social justice will be weakened. In this situation, USSR Gossnab, as an interdepartmental entity, does use its ramified network to satisfy more fully both the interests of the entire society and the interests of individual work collectives. After all, the ultimate goal of enterprises going onto the external market is not the foreign exchange itself, but the possibility of buying certain goods with it—whether they be machine tools, machines, medical equipment, or consumer goods. And, as I have already said, Gossnab components can play a large and constructive role here by consolidating the requests that are outstanding for a particular product and by analyzing the possibilities that exist for the best satisfaction of that demand. This unquestionably requires an improvement in the operation of the system of USSR Gossnab, a certain broadening of its functions, and a strengthening of ties with foreign trade organizations.

[Yefimov] Last year, the country's economy experienced serious difficulties in connection with strikes in a number of sectors of the economy, above all of the miners and on a number of railroads. What direct effect has this had on the economy, and in particular on the organization of supply of enterprises and branches?

[Yakovlev] The work stoppage in the country's coal basin caused the greatest difficulties in the operation of industry. It is well-known from the reports of USSR Goskomstat that millions of man-days of work were lost because of strikes, and millions of tons of coal were not produced. All of this did cause interruptions in the operation of many enterprises, especially metallurgical enterprises. Now there is an acute shortage of coking coal, so that many coke ovens are shut down, and the smelting of steel has been reduced. Gossnab is taking steps to make up these losses, but it is quite clear that it is not possible to make up those losses completely, and the situation remains problematical. The USSR Government has allocated very large resources to meet the needs of the miners as soon as possible. But there is something else that needs to be mentioned. Objectively, the country's economy does not allow the immediate satisfaction of all those demands. This is not because of anyone's bad intentions, but the state of affairs that has come about. After all, for example, even to increase the sale of automobiles to the miners more of these vehicles have to be found, and as a rule this requires that they be redistributed, that is, that deliveries to someone be cut back, that special trains be made up, that they be delivered and sold. However much one hurries, it still takes a certain time, and not such a short time as it might appear at first. It seems to me that quite often the miners' demands have shown impatience, a desire to solve all the problems immediately, a failure to understand all the complexity of the economic situation in the country. And the strikes only exacerbate this.

What is more, we have to say at once that by advancing particular demands in the form of an ultimatum the

strikers present the authorities of the state with a dilemma—At whose expense are they going to meet those demands? The country's foreign trade balance is under a great strain, foreign exchange is lacking for a number of commodities extremely necessary for the public, and we do not have the opportunity to increase purchases. It can only be a question of refusing some on behalf of others. But this cannot rescue us completely. We are forced to change deliveries within the country. And this also arouses protests on the part of others for whom these goods were originally intended, since there is a shortage of many goods.

Aside from that, major steps are being taken in the area of the social program, and above all the levels of pensions for many groups of the population are being increased. But after all, the payment of money has to be backed up with physical resources, with real goods. They also have to be sought out. And the strikers are objectively holding back the performance of social measures. This is something else which the strikers should not forget.

There is no question that all the just demands of the strikers have to be met within the time agreed, since they are justified, but at the same time the methods of forcible pressure cannot be used, and the aspiration must not be for confrontation, but for dialogue and compromises. That is not the method of solving problems in a socialist society.

[Yefimov] And the last question, Boris Mikhaylovich! What at present is the backing of physical resources for fulfillment of the plan for 1990?

[Yakovlev] In evaluating the present situation as of today, we can say that if all sectors of the economy keep up a regular pace, if the activity of supply organizations is well-organized, and if the economy regime is rigid, the physical resources will be furnished for the 1990 plan. This does not mean that all contracts must be concluded by 1 January 1990, this is neither required, nor in fact is it possible. The state and the enterprises must have a small reserve for reacting rapidly to changes in the situation and to promptly solve problems that arise during the year. This is fully justified. We also need to take into account that by no means all of our foreign trading partners have agreed in good time to conclude contracts for the entire coming year. After all, capitalists are constantly analyzing the economic situation, which is always changing, in order to obtain additional profit, not to lose it. That is why they prefer to conclude contracts for a short term for delivery of certain lots of goods, so as always to have an opportunity to change the sales terms of the next lot to their advantage. And this has to be taken for granted. But on the whole I want to repeat that we do have every opportunity for successful fulfillment of the 1990 plan, and the task is to take full advantage of those opportunities.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### Gosbank Chairman Outlines Further Steps for Bank Reform

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No 1, Jan 90 pp 3-10

[Article by V.V. Gerashchenko, chairman of the board of the USSR State Bank, (from speech at All-Union scientific and practical conference on problems of radical economic reform): "Prospects for Further Restructuring of Banking in the USSR"]

[Text] The radical economic reform that is being conducted in the country has opened a new stage in the development of banking. The banking system as a constituent element of the economic mechanism is being improved as experience is accumulated. But practice has shown that the process of restructuring the monetary and credit sphere is still in the initial stage.

At the present time, with a restructuring of the entire economic mechanism underway, the most serious transformations are needed in the banking sphere, and a twofold and largely contradictory task has arisen and awaits a solution. On the one hand, there is a need to develop and gradually, as conditions objectively develop, introduce into widespread practice principally new instruments for controlling the country's monetary circulation which fully correspond to the newly formed economic mechanism. On the other hand, for the entire period up until a complete changeover to the new methods of controlling the monetary and credit sphere, it will be necessary to make full use of all the potential possibilities of increasing the effectiveness of controlling monetary and credit circulation that are to be found in the existing methods and instruments for regulating this circulation.

The banking system created by administrative methods in 1987 does not correspond to the tasks assigned to it, it does not contribute to effective utilization of credit, and it does not activate commodity-monetary relations or interbank competition.

The main factors that bring about the need for further reform of the banking system are:

- the lack of a mechanism for control of monetary circulation by economic methods;
- the weakening of the role of the State Bank as the main bank of the country, which is manifested in the lack of effective levers of influence on the credit system;
- the lack of truly commercial or so-called partnership relations between the banks and their clients and the continuing difficulties in the relations between the clients and the banks in the local areas as a result of the artificial separation of bank institutions according to the departmental indicator;

—the lack of flexibility of the credit system under the conditions of the functioning of specialized state banks, which impedes free flow of credit resources in the national economy;

—the growth of the republic and oblast management apparatus of specialized banks, with a simultaneous weakening of the local levels of the banking system.

In keeping with the paths of restructuring of the entire economic mechanism that are already being followed and those that are earmarked, it seems expedient to us to orient further development of the banking system toward a changeover to a two-level organization and stage-by-stage formation of a flexible mechanism for monetary and credit regulation of economic circulation. There is a need to provide the USSR Gosbank with real levers from controlling credit, monetary circulation, and the work of banking institutions and, through this, the process of socialist expanded reproduction in order to achieve material and financial balance and increased effectiveness of the functioning of the economy.

Under the conditions that exist it seems important to consistently distinguish between the emission function and the function of credit service. Expansion of economic independence presupposes further centralization of emission exclusively in the hands of the Gosbank without giving the other banks the possibility of exercising the right of credit-monetary emission. Their task is to work only on the basis of the resources they actually take in and above all from the capital of enterprises and organizations.

As the two-level system is formed the functions and role of banking institutions will change. Then the Gosbank, as the country's central bank, will be responsible for the following functions:

- determination of the priority goals of the monetary-credit policy, establishment of economically justified limits of fluctuations of interest rates and the growth of the monetary mass;
- emission and control over the total monetary circulation;
- being the reserve center and organizer of interbank accounts;
- control of the state debt and administration of the state budget;
- determination of the legal foundations and principles of functioning of specialized credit-financial institutions, markets for short-term and long-term credit, and also kinds of monetary instruments in circulation in the USSR;
- formation of an effective mechanism for operational monetary-credit regulation of monetary and economic circulation.

The second unit of the credit system, commercial banks, will be represented by specialized banks organized on a shareholding basis, their divisions and branches, and

also other shareholding, cooperative, and joint banking institutions. In order to increase the mutual interest of economic organs, enterprises, and banks, it is necessary to develop the practice of participation of economic units in the charter funds of specialized state banks and to expand the issuance of founding stocks so they can be sold to interested economic organs. Thus there will be a gradual transformation of specialized state banks into shareholding banks. This will make it possible for the specialized banks themselves to select the most effective management system, the one which corresponds to their real economic conditions. At the same time it will contribute to the development of foundations for economic accountability in the credit sphere, the strengthening of direct economic ties, the formation of real partnership relations between the banks and their clients, and rational, efficient universalization of the activity of credit institutions.

In the interests of preserving the unity of the leadership of the banking system by the State Bank and conducting an effective monetary-credit policy, the process of transformation of specialized banks of the USSR into shareholding commercial ones and the extensive development of the network of commercial banking institutions should proceed in parallel with the strengthening of the legal positions of the USSR Gosbank as the central organ for regulation and control in the banking system and increasing its role in the structure of state administrative organs. This will create conditions for an optimal combination of the independence of commercial banks and the interests of the banking system and the national economy as a whole.

Quite understandably, the changeover to a two-level banking system can take place as the socialist market develops, without the artificial forcing of the process of transformation of specialized state banks into commercial ones. In the first stage, it seems expedient to change the conditions for their functioning, placing them in equal conditions with other commercial banks, and to arrange their activity on a commercial basis. Specialized banks should operate on the basis and within the framework of actually enlisted resources, and the system of control of passive and active operations should be modified.

An indispensable condition for their successful functioning is the departure from branch specialization, diversification of their operations, orientation toward the universal character of the services rendered, and comprehensive service for the clients. These processes should not be arbitrarily pushed, since a changeover of specialized banks to economic accountability, the development of competition among the banks, and the transfer of some of their clients to other commercial banks create the necessary prerequisites for the formation of an efficient banking structure in the local areas. Here the main criteria will be economic expediency, the real needs, and the degree of satisfaction of the clients with the credit, accounting, and cash service. But here one should take into account that not all specialized banks will end up in the same initial conditions. Thus the USSR Agroprombank [Agroindustrial Bank] will, from all

appearances, still need state assistance for a long time to come, but the amount will gradually decrease as it is granted funds on a reimbursable basis from the state fund for regulation of credit resources. It is also possible to create specialized funds from the budget for assisting the USSR Agroprombank, including in the form of tax breaks.

In this connection there will be a need for detailed work on the question of ways of transforming specialized banks of the USSR into shareholding companies. To do this it will be necessary to pinpoint a group of economic organs that are interested in purchasing shares and have the necessary funds and rights. The strengthening of the principles of economic accountability and the shareholding form of organization of the activity of specialized banks will make it possible to preserve the vertical structure of these banking institutions without superfluous management levels, to retain their old clientele, and to more actively draw new clients that have a high income base into the orbit of their activity, above all the USSR Agroprombank.

At the same time they must be especially cautious in approaching the solution to the problem of modification of the status of the USSR Savings Bank, since the savings of the population are the most stable resource for credit for the national economy. The USSR Savings Bank, under the conditions of a lack of a market for credit resources and securities, in the foreseeable future will be the main channel for accumulation of money for centralized redistribution, including for financing the budget deficit. Therefore strengthening the purely commercial direction in the activity of the Savings Bank and the transfer of its functions to other banks could cause failures of the country's monetary-credit mechanism and a loss of the population's confidence in the ruble.

The entire logic of the development of economic relations in all spheres leads us to the need to change the nature of relations between the banking system and the budget. The relations between the USSR Gosbank and the USSR Ministry of Finance should be arranged on principles of a partnership with equal rights and legalization of the state debt. This is brought about by the need to develop the market of state short-term and long-term securities and to create a mechanism for their control by the USSR Gosbank. Moreover, securities should be distributed in the credit system within differentiated quotas set at the state level.

In our opinion, it would be expedient to distribute state securities mainly among the population and cooperative businesses and enterprises, that is, outside the banking system. This will make it possible to finance some of the state debt without increasing the monetary mass through changing the structure of the assets of the buyers of state securities and also to reduce the effective demand for goods and services by withdrawing some of the monetary funds from the population into state securities. Thus the relations between the USSR Gosbank and other credit institutions and the budget will be switched over to a basis of real economic accountability.

Budget funds will be used to finance the social sphere, defense, basic scientific research, and the construction of new facilities that are of special national economic significance. Capital expenditures, including for expansion and modernization of existing enterprises, must be made with bank credit.

Today, when we have begun a rapid process of changing the republics, regions, and cities over to self-financing and self-management, the determination of the role of the banks in regional economic accountability has become one of the central problems.

In the concept of regional economic accountability one should be able to see the general state policy in the area of finance, credit, and money. According to the USSR Constitution, the country's economy is a single national economic complex (article 16); the leadership of the unified monetary and credit system is within the jurisdiction of the union.

Commercial banks, especially those that are created on a territorial basis, can and should become "nerve centers" in the mechanism of regional self-management and self-financing. They become active participants in the markets of credit resources in the republics, and this means they can also control the processes of the flow of these funds into those branches of the region's economy which it is advantageous for this region to develop. The Gosbank contributes in all ways to the creation and expansion of the network of commercial banks, including regional ones.

The shareholding nature of the formation of the charter fund of commercial banks presupposes that they must have all the authority in the disposal of credit resources. But can regional banks be given the right to regulate monetary circulation? Is it possible, for example, to permit republic banks to dispose completely of the savings from emission operations? On the surface this decision, which is now envisioned for the Belorussian SSR, seems to fit into the mechanism for regional economic accountability, but it contradicts the tasks of regulation of monetary circulation by the entire country. Some go even further, suggesting regional currency. But in reality the appearance in the country's monetary circulation of currency that is circulating in parallel would lead to undermining the foundations of monetary circulation and forfeiting the levers for control and regulation in the interests of the national economy.

Putting the republics completely in charge of the monetary-credit system, including regulation of monetary circulation and credit, would have negative consequences for the country's monetary circulation, since it would contribute to further strengthening of inflation processes and reduction of the controllability of the banking system. Emission functions cannot be transferred to the competence of the republics, since they are unionwide in nature.

A unified currency is an indispensable attribute of each state, including a federal one, since its basis is a unified market. The introduction of the independent currency of

a union republic in combination of independent determination of the policy in the area of prices and wages would lead to a disturbance of existing economic ties among the republics and would create difficulties in economic circulation among the union republics, particularly in monetary accounts. The line toward a breakdown of the money market actually leads to a breakdown of the commodity market.

In this connection the plans proposed by certain economists to introduce currencies circulating in parallel are not sufficiently substantiated. In and of itself, the introduction of an alternative currency cannot rectify the disproportions in the national economy or eliminate the budget deficit. On the contrary, this will complicate accounts, increase the distortions in prices, and create additional motivation for currency speculation.

Under the conditions of the unstable monetary circulation and the decreasing buying power of the ruble, there is a greater need to conduct an active monetary-credit policy which should become an independent element of control of the national economy.

The existing system of control of monetary circulation and credit has developed under conditions of the prevalence of administrative-command methods of leadership of the economy. Credit planning is constructed in such a way that bank credit passively follows the quantitative parameters of the plan for social and economic development, namely, volume of gross and commercial output, expenditures on industrial and agricultural production, the volume of construction, and commodity turnover. It is not coordinated with the availability of mobile resources in the given banking unit or with the consequences in monetary circulation that follow after credit operations. The volume of revenues and outlays of cash money is reflected in the cash plan, but the issuance and repayment of bank loans are reflected in the credit plan. An essential shortcoming of the practice of planning in the monetary-credit sphere is that the control of the circulation of cash money and noncash monetary circulation are separate to a significant degree.

The restructuring of the USSR banking system has made critical the question of the need to form an economic mechanism for monetary-credit regulation. We must refrain from passive activity whereby additional payment funds are put into circulation depending on the actual demand for them.

Life has sharply raised the question of stabilization of monetary circulation. The most dangerous thing of all here is to give in to the temptation of "leftism," hastily proposing a monetary reform or a one-time withdrawal of surplus money. This would mean fighting not the causes but the consequences of inflation.

The causes of destabilization of monetary circulation are the disproportions in social production.

Full-fledged economic accountability presupposes growth of income, depending both on the growth of the

production volumes, expansion of the assortment, innovation and quality of products and on reduction of production outlays, resource saving, and efficient ways of delivering the produced product to the consumer. Therefore, it is necessary to select and develop a system of measures for economizing on material and financial expenditures, which can become an important factor in price stability and the strengthening of the ruble.

Therefore, the path to monetary reform which presupposes an exchange of current money for new money with certain restrictions will not produce appreciable results at the present time. Moreover, this would mean a partial confiscation not only of money obtained dishonestly but mainly of actually earned savings. Moreover, a one-time reduction of the monetary mass does not guarantee stability of monetary circulation without the creation of a new mechanism that provides for maintaining a constant balance between supply and demand.

On the plane of stabilizing monetary circulation it is much more effective to form and develop economic methods for controlling the country's total monetary circulation and regulating the credit resources market.

Taking into account the designated tendency toward the formation of a two-level banking system in the USSR, it would be expedient even now to begin to gradually change over to control of the total monetary circulation by means of the establishment of uniform demands for all commercial banks, such as deductions into the fund for regulation of credit resources; the establishment of standards for bank liquidity and official interest rates of the central bank and also the performance of operations with short-term and long-term securities; and the granting of direct credit for banking institutions.

In keeping with this, all commercial banks are obliged to open accounts for the regulation fund in Gosbank institutions. The normative for deductions into these funds is established by the USSR Gosbank in proportion to the volume of their credit resources. By changing this normative, the Gosbank will be able to regulate the volume of credit.

If necessary, the Gosbank can also regulate the volume of credit resources of commercial banks through granting them loans at the official rates. By establishing the rate for credit granted to other banks, the Gosbank influences the value of the resources enlisted by the bank and, consequently, the amounts of interest rates in their active operations.

As the state securities market develops, the Gosbank will begin to perform buying and selling operations with commercial banks. Thus it will be able to regulate the volume of credit.

In order to change over to the aforementioned mechanism for regulating the activity of the bank, it is necessary to change the policy for keeping accounts among banks, to reject calculations using accounts of interbranch circulation, and to change over to calculations through correspondent

accounts that are opened for banks and institutions in the USSR State Bank and its institutions.

There are now two separate official markets in the USSR. They differ both in their conditions for buying and selling and in their price levels. The first is the market that satisfies the needs of the enterprises, organizations, and institutions mainly for means of production and goods for business purposes. The second is the market that satisfies mainly the effective demand of the population. In the first market, sales are still carried out on the basis of funds and limits for each buyer. And for the second special, market commodity supplies are allotted for sale to the population through retail trade organizations.

The separate existence of the two markets is also the basis for the separation of the sphere of circulation of payment funds—cash and noncash. The creation of a unified market in which the separation between the kinds of payment funds would be eliminated would require a certain amount of time, during the course of which it would still be necessary to have relatively independent control of the circulation of cash money with the help of cash plans. When the need for this disappears, the determination of the conditions of proportionality between the incomes of the population and the resources of consumer goods and services would be exclusively a function of the balance between monetary incomes and expenditures of the population.

One of the necessary conditions for changing over to the new management plan is improvement of the practice of accounting for and predicting monetary circulation. In order to increase the effectiveness of the accounting and analysis of the total monetary circulation, it is necessary to improve the system of statistical reporting of the USSR banking system on the dynamics of the basic indicators of monetary circulation and credit and to introduce a system of indicators of monetary mass that characterize the main constituent elements of the total monetary circulation. A quantitative description of the total monetary circulation and its individual components should be reflected in the construction of various indicators of the monetary mass, which will characterize, in particular, the structure of the total monetary circulation, the dynamics of its individual components, the possible volume of credit, and changes in the mass of cash money.

The mechanism for regulating monetary circulation will be formed from elements of centralized prognostication of monetary flows and current monitoring of the condition of the monetary mass and its structure in the various administrative and economic regions. Because of this the cash and credit plans and the balance of monetary incomes and expenditures over a certain period of time will retain their significance as instruments of monetary and credit regulation.

In order to operationally regulate credit and monetary emission and the processes of redistribution of credit resources, it seems expedient to reform from strict credit planning and to change over to a more flexible system of

prognostication of the total monetary circulation and its regulation with the help of the establishment of credit ceilings, minimum and maximum limits on the growth of the monetary mass and the volume of credit, quotas (normatives) for available cash and reserves, and bank standards.

In connection with this, we should develop a clearcut system of indicators which are registered in the total planned and predicted monetary circulation, which should, in our opinion, be approved by the USSR Supreme Soviet.

The main indicators should be the volume of real credit resources and the growth of the monetary mass, which will be determined depending on the rates of economic growth, the structure of distribution of the national income, the price level, and other economic parameters. Based on this, the Gosbank will establish its own interest rate and normative for deductions into the fund for regulation of credit resources and determine the scale of operations for buying and selling state securities and standards for bank liquidity.

The reference points determined for the year must be revised periodically, taking seasonal and market fluctuations into account. A system of current control should be used during the intervals between the revisions.

The most serious attention should also be devoted to questions of developing the interest policy. It should be directed primarily toward solving general economic problems—providing for conditions for stable economic growth and achieving stability of the domestic and foreign buying power of the ruble. To do this it is necessary: in the first place, to form a system of interest rates in the national economy that stimulates efficient utilization of credit and reduction of less effective and useless expenditures; in the second place, as long as the country does not have a market for short-term and long-term credit, securities, and so forth, to use direct methods of influencing the level of the interest rate through establishing and revising the official rates of the Gosbank for credit that is granted and the maximum limits of rates for loans made by commercial banks.

Within these limits, the commercial banks should independently determine the amount of the increment to the official Gosbank rate, depending on the overall financial condition of the borrower, the liquidity of his balance, the profitability of the work, and how promising, important, and profitable the object of the credit is. On the basis of the aforementioned criteria, it is possible to determine the base rates of commercial banks for first-class borrowers with the addition of the credit margin for various categories of clients.

As market relations develop in the USSR, markets are formed for credit and securities, and interbank competition is established, methods of strict control of interest rates could become an obstacle to free flow of resources and thus to progressive transformations in the economy. Under these conditions, they will give way to more flexible methods: the official Gosbank interest rate will

be closely coordinated to the market rate, that is, with the supply and demand for credit resources. Depending on the principles of the economic and monetary-credit policy, it will be determined through the utilization of a system of increments or rebates to the spontaneously formed proportions of the monetary-credit market so as to exert an influence on the level of interest rates of commercial banks in the necessary direction.

In the modern stage of the economic reform, the official Gosbank interest rate is determined on the basis of macroeconomic models that make it possible to evaluate the necessary level of the interest rate, based on the earmarked basic economic parameters, taking the inflation level into account. When determining the level of interest rates for asset operations, the commercial banks will be oriented, on the one hand, toward the official Gosbank rate and, on the other, based on principles of economic accountability—toward the average level of profitability in the national economy. In the event that it is determined arbitrarily, the interests of the national economy as a whole and also the changeover of the banking system to economic accountability could be jeopardized.

The implementation of the proposed plan for the functioning of the USSR banking system will make it possible, in our view, in the near future to create conditions for combining administrative and economic methods of influencing economic circulation through credit methods of regulation and in the more distant future—a changeover to economic methods of influencing the activity of the banks and, through them, the national economy as a whole.

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### Currency Reform Needed; Method Debated

904A0245A Moscow SOVETSKAYA ROSSIYA  
in Russian 12 Mar 90 p 3

[Article by Professor A. Zhuravlev, chairman of the subcommission on prices of the USSR Supreme Soviet Council of the Union: "A Temporary Freeze"]

[Text] Hundreds of letters from readers have been received by the editorial board and by the subcommission on prices of the USSR Supreme Soviet Council of the Union in response to the 28 January article by Professor A.G. Zhuravlev, USSR people's deputy, "A Parallel Ruble," in which he reflected on the prospects of a possible reform of the currency system. The author comments on these responses.

I would like to note right away that many readers agree that reform of the currency system is necessary, including I. Snyatko from Moscow, N. Konovalov from Buzuluk, and L. Zadorozhnaya from Kuznetsk. But, of special interest were letters whose point was reflected in a rejoinder by T. Fedchenko from Belgorod: "We are not against such a reform, but we do not want it to harm the poor."

Lines and shortages—these are factors that especially irritate people. It is no secret that both are often artificially created, by which operators of underground business line their pockets, skillfully taking advantage of panic and the stirred up demand. It is extremely difficult to combat the shadow economy, and Leningrad resident I. Moskalev is hardly right, placing all hopes on powerful inspectorates and huge fines for speculation. You will not eradicate vice by bans alone—it is necessary to have conditions motivating honest, moral behavior.

In this sense, a market-based economy capable of eliminating lines and the problem of shortages has quite a number of positive characteristics. It is known how merchants abroad value their reputation. However, there is a reverse side of the coin. The "Polish variant" in our country would lead to roughly a three- to fivefold increase in prices for all goods. Yes, the stores could freely sell automobiles for 50,000 rubles each, refrigerators for 2,000 rubles, and televisions for 1,500 rubles. But who could buy them? So, this path is unacceptable for people with low and average incomes.

Rostov resident A. Skryabin is confident that a person is able to accumulate 30,000-35,000 rubles during his working life. My calculations, based on average statistical data, give a different figure—12,000-15,000 rubles. In actuality, it is probably even lower. In our deputy subcommission we receive a great number of letters from elderly people who have 1,500-2,000 rubles in savings accounts, saved for emergencies.

If you consider that the total sum of wages and pensions which are now being paid is roughly equal to the volume of goods turnover and that the "emergency reserves" of most people are not great, it will become clear that the consumer market primarily suppresses delayed demand. In other words, if we managed to "freeze" excess savings even for a short time, the economy would breathe much more freely. This also answers the question by O. Revnyakovaya from Zhigulevsk and I. Sudoplatov from Vladimir on how new currency would be able to provide goods. It is simply that considerably less money than now would be opposed to the same mass of goods—new currency gradually supplants the old.

So, one cannot assume that reform of the currency system would lead, as expressed by a student at the Moscow Engineering Physics Institute, A. Fokin, to "even greater impoverishment of the average person." The plan is to introduce a quota, according to which a person can exchange up to 5,000 rubles during the first year and so on, up to 12,000-15,000 rubles over the course of 5-7 years, although this requires a precise calculation so as not to flood the consumer market with new currency. The opposition of its total sum and the volume of goods turnover should remain balanced. By the way, the delayed demand now is estimated at approximately 450 billion rubles, so if they were spread evenly among the population, the entire population could live for 1 year without wages, using only their savings.

Spreading it out over years will make it possible to gradually replace all old currency with new currency within the above-mentioned limit of 15,000 rubles for each person. A number of readers, including P. Sapozhnikov from Smolensk and I. Strukov from Ulan-Ude, do not agree with the 5-7 year time periods I proposed for the reform, afraid that the shadow economy will have time to turn the reform in its favor. But the gradual nature of the reform is an essential condition, otherwise the rate of output of goods will again lag behind the increase in mass of new currency in the consumer market.

Judging from their letters, not all readers understand the essence of the reform. I will briefly outline it again. "Freeze" a large portion of accumulated currency, authorizing only current currency to circulate in the economy and "infusing" old currency into this mass only by portions. It is likely that rich people will try to buy up the new currency at practically any price. And here there is obviously reason to heed the suggestion by Leningrad worker Nikitin, who unfortunately did not indicate his initials in his letter. He recommends immediately expanding the practice of payment by check, which is widely used abroad. These checkbooks, in addition to everything else, make it possible to monitor exactly who is buying up what.

It is already clear that prices will have to change, one way or the other. The miners' strikes confirmed that the present situation, in which raw materials are unjustifiably cheap and the end product is disproportionately expensive, has become intolerable. But, having affected wholesale prices, retail prices will also have to be affected. Reform of the currency system conducted in advance will help create a mechanism for protecting the interests of the average consumer.

Who will suffer? Those who possess underground capital. If an absolute quota is introduced, in 5-7 years a person can "unfreeze" all his 12,000-15,000 rubles from old currency into new, if he has that much. Then, we close up shop, as they say: sums above this amount can be exchanged only by declaration of the sources of income.

A number of letters devoted to the history with auctions and commercial prices have been widely covered in the press. Steps planned by the Supreme Soviet to implement social programs, above all to increase minimum pension size, require 6 billion rubles. About 3 billion rubles have been found from the increase in gold prices; this was talked about in the previous article. The government is continuing to look for the rest of the money again in prices. Our deputy commission and others reacted sharply negatively to such a plan. We are not against auction and commercial trade in principle, but it must be problem-oriented in nature—for example, transferring the money obtained to one or another social fund. Auctions should not become a daily occurrence.

After the deputies' protest, the country's Council of Ministers passed this entire problem, together with its accompanying social dissatisfaction, on to the republic

governments. I personally am convinced, as before, that this is an attempt to pick the pockets of the customers, although for a good cause. I would add that a permanent auction is an experimental laboratory of the shadow economy where the maximum price level is worked out. Moreover, if scarce goods are admitted to the auctions, this will become another avenue for laundering money for the bigwigs of the shadow economy and the criminal world. The All-Union Central Council of Trade Unions (VTsSPS) was completely correct when it spoke out decisively against vindicating speculators by the example of the state itself. True, now the governments of the republics will take the blow of dissatisfaction, but one is just as bad as the other...

My last remark has to do with the doubts of those readers who believe that printing the new bills needed for reform is too expensive. Yes, it is. But in the same mail was an idea expressed by bank employees for solving the problem. It turns out that it would be technically uncomplicated and inexpensive simply to change the color of the bills, leaving everything else the same.

Reading the letters, I am convinced that people expect from us deputies solutions that are capable of having a perceptible effect. Reform of the currency system is precisely such a step. Halfway, timid measures, like constant auctions, arouse in the voters nothing but irritation: the gains would be meager, but the outrage would be in abundance.

I have tried to analyze the alternatives to reform. They do not seem indisputable to me. We need to find out the point of view of the Ministry of Finance, and then, obviously, we will be able to continue the conversation.

## Articles Air Public Concern Over State Bonds

### Nonredemption of Previous Bonds

904A0217A Leningrad LENINGRADSKAYA PRAVDA  
in Russian 31 Jan 90 p 3

[Article by E. Kozlova: "Let's Wait for Better Times"]

[Text] Two months have passed since the day a short letter by L. Makarova, "Let's wait for better times," was published in LENINGRADSKAYA PRAVDA. But we are still receiving a steady flow of responses. The fact is, the author of the letter touched upon a theme of vital social importance—repayment of state bonds from many years ago. She suggested that because of the difficulties in the nation's economy, we should not hurry to liquidate them and "step on the government's throat."

In the words of one respondent to the letter, it aroused his "anger and indignation." He was not alone. "How dare you!" "It's indecent!" "It's immoral!" These were some of the milder reactions in the letters. "Why, comrade journalists, did you publish these remarks?" "Why don't you defend us, the elderly?" writes Z.

Sergeyeva, T. Krylova, Ye. Vysogina, G. Simonov, Ye. Lebezhonskaya and dozens of other Leningrad residents supported this viewpoint.

We will be objective: a look at only the last few months' worth of issues of our newspaper is enough to confirm that LENINGRADSKAYA PRAVDA has always defended and continues to defend the interests of older people. But that is not the point.

So why did we publish the letter? To answer this question we can turn to some of the responses to L. Makarova's letters, which again confirmed that a large category of people supports her opinion. "I agree with comrade Makarova," writes V. Lysenko. "Perestroika will take years. Taking the government by the throat and making it pay its debts would only mean dragging the process out further."

"Thank you for your initiative," writes O. Yefimova, survivor of the Blockade and labor veteran. "I strongly support the letter's author." "Even though we have met with many hardships, the government is trying to do everything for its people," M. Golenkova reminds us. "The minimum pension has been raised and a number of services have been introduced. We should meet them halfway and waive our personal interests."

But the reaction of many of our readers to this article has once more shown that we lack the ability to discuss the most vital problems and are unaccustomed to doing so. We have not learned to respect the views of our opponents in an argument when they differ from our own. This is the only reproach that must be made to those who were shrill and categorical in their letters to the newspaper's editorial office.

The overwhelming majority of the 200 responses that arrived at the editorial office contained requests and demands that we aid in getting swift liquidation of these bonds. Taken as a whole, these letters were a cry for help. They were written by those who are tired of struggling with need and who live on the brink of poverty or have already crossed the line. Survivors of the Blockade, participants in and disabled veterans of the war, labor veterans—they all agree on one thing: old people do not have time to wait. N. Sergeyeva, Ye. Belova, L. Zhuravleva, S. Novskiy, M. Ilina, N. Ivanova, Ye. Turushkina, S. Yanushevskaya and many others write on this subject.

Above all they remind us: "The bonds were announced as voluntary, but in practice they were not. Enterprise directors summoned the workers and 'worked on them' until they signed away a month's wages. These scenarios were hard on both parties—the directors and the 'volunteers.'" This is what V. Kadashnikov, a war veteran, writes.

Comrade Babaskin continues the story of his generation: "But we, the people of the war years, survived everything—famine, the cold, and devastation. We tried with all of our might to help our nation." Kucherenko and others write, "We are the ones who drove the Fascists from our homeland. We are the ones who restored

factories and works and built new ones. And for our many years of labor we received meager pensions."

K. Klimovich writes, "For many people the liquidation of bonds is their only means of clothing themselves, having repairs done on their apartments, and visiting relatives."

In their letters Leningrad residents not only complain about their existence—they seek an explanation for the present state of our economy and suggest measures for freeing up the means to pay off the state's debt to the elderly. "We need to put an end to groundless pay increases and incredible bonuses. We should stop building canals, which are harmful to nature and people," suggests L. Voloshin. "And tell me it is not mismanagement at work when the country buys tens of millions' worth of imported equipment and never installs it. And what about agriculture? Our potatoes rot, so we buy them abroad." These conclusions, observations and bitter thoughts on mismanagement were provided by N. Petrov, Z. Korosteleva, A. Zaslavskaya, E. Rybakov, M. Sidorov, A. Yelkina and other readers.

"No, our government is not poor if it can finance 10 thousand-ruble prizes for poetry and prose works of dubious quality, set up pompous beauty contests in which the winners are awarded regally, maintain a huge army during peace time, and feed the loafers in an inflated bureaucratic apparatus." This is how disabled veteran P. Iryanin angrily calculates government expenditures.

All of these letters form a collective attempt to answer the question, How can we bring the nation out of its crisis? A veteran of the War of the Fatherland, A. Grokhotov, is convinced that "mismanagement will remain until everything is 'ours'—i.e., belongs to no one. The economy will continue to worsen as long as those bureaucrats who brought the nation to this state remain in power. They should be replaced from top to bottom with new people who are chosen for their abilities, their intelligence and honesty."

Thus in their letters residents of Leningrad take the discussion beyond the framework of the narrower question of whether or not the bonds should be repaid. But let us return to the beginning.

How can we live with long-standing bonds? First we should probably repeat that debts are debts, and they must be repaid. And that is all the more true if the government is the debtor. Every person should have the opportunity to exchange his bonds for money. But the decision whether or not to require payment on that debt from the government should be left to the individual. This is the opinion of the majority of the Leningrad residents who wrote in. And we think that this is the only correct position.

**Voluntary Purchase Emphasized**

904A0217B Moscow SELSKAYA ZHIZN in Russian  
25 Jan 90 p 4

[Interview with USSR Deputy Minister of Finance Vladimir Abramovich Rayevskiy by T. Bulkina: "A New Bond"]

[Text] "Not all of the bonds from the 1950's have been repaid yet, and they are already writing about a new state bond in the newspapers. It is strange that the government is entering into new debts without having paid off the old ones. Can you explain why this is being done?"—A. Kharkov, Kurskaya Oblast.

I showed this letter to USSR Deputy Minister of Finance Vladimir Abramovich Rayevskiy.

[Bulkina] Vladimir Abramovich, it seems to me that what we have here is a negative attitude towards government bonds.

[Rayevskiy] Clearly people still have vivid memories of compulsory bonds under Stalin. But in civilized countries government bonds are a normal phenomenon. Everything is done in a simple and business-like fashion. You take money and say when you will return it. You explain beforehand how I benefit from lending the money. Everything is done voluntarily and under mutually advantageous conditions. I would like to say straight out that the new bonds will be distributed on a strictly voluntary basis. But let me begin in order. At the end of December of last year the USSR Council of Ministers issued three decrees. The first was on the issuance of internal, five-percent state bonds in 1990. The second was on the issuance of special interest-free state bonds, and the third was on the issuance of State Treasury promissory notes in the USSR.

The first decree affects state, cooperative, and public enterprises, as well as credit institutions.

[Bulkina] And what kind of bond will be made available to the population?

[Rayevskiy] The government's other two decrees will affect them. In the near future, people will be able to buy special interest-free state bonds.

USSR Sberbank [Savings Bank] institutions will sell them and worker collectives will distribute them. The bonds should be issued this year with the obligatory condition that they be repaid in 1993. Payment will be in the form of goods which are in high demand. The conditions stipulate a whole list of goods: light motor vehicles, motorcycles with sidecars, mini-tractors, color televisions, video cassette players, two- and three-compartment refrigerators, sewing machines, washing machines, portable personal computers, and microwave ovens.

People are waiting for these bonds and preparing to acquire them. The USSR Council of Ministers has allowed the USSR Ministry of Finance to issue such

bonds to the amount of 10 billion rubles. The government directs this money to the Union budget revenues for financing high-priority social measures.

State Treasury promissory notes are issued for 16 years. The promissory notes stipulate payment of guaranteed earnings at a five percent annual rate. These promissory notes are issued in the form of bonds valued at 1,000, 500, 100 and 50 rubles with coupons (16 coupons for 16 years). Each coupon corresponds to the year's earnings. Repayment begins in the year 2001. But a bond scheduled for repayment does not have to be liquidated. It can be held until the year 2006 at five percent earnings for the entire sixteen years.

[Bulkina] How will the inflation rate be taken into account?

[Rayevskiy] Right now there is quite a bit of talk about inflation. What kinds of figures are we getting from the USSR Goskomstat [State Committee on Statistics] on this? The level of inflation based upon the retail price index comes to two percent per year. Those are Goskomstat's figures. And we will pay a five percent annual rate.

[Bulkina] Vladimir Abramovich, let's say the following were to occur. A person has bought bonds, and some time later things change and he really needs money. Can he get his money before the bond matures?

[Rayevskiy] Such situations will be taken into account. The government decree stipulates granting a loan on the security of State Treasury promissory notes. We will lend a high percentage of the amount on security, somewhere around 75 percent. In other words, if a person has purchased a bond valued at 1,000 rubles, he will receive 750 rubles in loans.

A total of 15 billion rubles' worth of bonds are being issued. To all appearances there will be a demand for them.

[Bulkina] And when will the sale of bonds begin?

[Rayevskiy] At the moment it is impossible to say, exactly. Gosnak [State Directorate for Engraving and Printing Bank-Notes and for Minting Coins and Medals] is working on issuing bonds, and intense efforts are underway. When this work is finished we will announce the beginning of the sales in the press.

[Bulkina] We are guaranteed a high interest rate if we buy these bonds. Is that advantageous for the state?

[Rayevskiy] Of course. When there is a shortage of goods, not enough of the population's funds are in circulation.

[Bulkina] One last question. When will the previous bonds be fully repaid?

[Rayevskiy] Part of the money from the sale of Treasury promissory notes will go towards repayment of the previous bonds.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Gas Industry Concern Fails To Meet Financial Obligations

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[Editorial Report] Moscow RABOCHAYA TRIBUNA in Russian for 25 March 1990 on page 1 publishes a letter entitled "But Wages Will Wait." The letter, signed by 300 workers of the "Sibgazkomplektmontazh" Association, charges that the association's workers are receiving "significantly" lower wages than they deserve. According to the letter, the association works primarily on projects financed by the "Gazprom" concern, which failed to pay the association R13 million last year and R10 million so far this year. As a result, the association is presently unable to pay for transportation, communication costs, and supplies, and its ability to supply electric energy and housing is affected. The letter warns that unless the "Gazprom" concern resolves its financial problems before the end of March, the collective will cease work on its projects as of 1 April.

An editorial postscript notes that a RABOCHAYA TRIBUNA correspondent visited the "Gazprom" concern and found that it owes more than R700 million to contractors and subcontractors. The paper calls upon "Gazprom" to address the collective's grievances and to explain how it intends to meet its financial obligations.

### Impact of Conversion on Omsk Missile Engine Plant

90UM0227A Moscow PRAVDA in Russian  
16 Jan 90 Second Edition p 8

[Article by PRAVDA correspondent Yu. Shpakov: "Top Secret!: Polet Flies High"; first paragraph is PRAVDA introduction]

[Text] Glasnost can bring quite a surprise at times! All of a sudden commonly-known, reference-type facts combine with closely-guarded secrets to present your native city in a new light and endow old acquaintances with a new nature.

Operating in Omsk for almost half a century is an enterprise until recently completely closed to the press. There is a collective of many thousands—and there is none at the same time. Bound by their written promise not to divulge classified information, the people working at the enormous plant lived in their isolated little world. Some people that worked many years in the same shop were not aware of the nature of the work until the very end.

Today we can speak of things using their real names. When the war broke out, two Moscow aviation plants were evacuated to Siberia and merged into one plant. Shortly thereafter, buildings were erected in the outskirts of Omsk, where production of high-speed bombers,

supervised by A. N. Tupolev, was initiated; Yak-9 fighters were to follow. It is interesting to note that the first director of the Omsk plant was famous pilot A. Lyapidevskiy, a participant in the Chelyuskin episode and one of the first Heroes of the Soviet Union. Working as deputy chief of one of the shops was S. Korolev, the future managing designer.

In the 1970s the enterprise took on the name of the Polet Production Association. It also changed its area of specialization—from aircraft to space rockets. This constituted a radically new phase of the collective's life, which was rich in history and traditions.

In the company of association Department Chief V. Chumachenko, I walked through shops that had never been seen by a reporter. I cannot say that everything I saw struck me as being new, since some of the things had been shown a number of times on television and in newspaper and magazine photos. Nevertheless, it is one thing to look at a photograph and another to stand in front of items that previously were inaccessible.

It turned out that units such as those on display there had lifted the superpowerful Energiya booster into orbit. Those elegant, smartly-painted rockets are twins of those that carry communications and navigation satellites into space. Space equipment proper, which is packed in banks of solar batteries, is also designed and manufactured there, in Omsk.

"One of the more notable developments is the international system Cospas-Sarsat, which was brought into being in creative collaboration with American, French, and Canadian scientists," said association Chief Designer, Doctor of Technical Sciences A. Klinskykhov. "It is designed to rescue ships and aircraft in distress. Two Soviet and two American satellites track transport craft that are provided with locator beacons capable of determining the coordinates of an area in which an accident has occurred. The system, which has been operating for several years, has been instrumental in saving a number of lives. With this navigation satellite as a basis and the use of newly developed models, it is planned to create a global communications system that will be of service to geologists, railway workers, medical personnel, atomic industry workers, and others. But consider this interesting aspect."

Aleksandr Semenovich showed me a document which discussed the possibility of employing satellite systems to track railroad refrigerator cars. First Deputy Minister of Railways G. Fadeyev stated an unusual resolution: "It if were possible to complete this work in our lifetime, this would be the best kind of memorial to us."

The idea evidently bordered on the fantastic to the mind of the experienced manager, since he mentioned a highly indefinite time frame. Nevertheless, the Omsk people do not intend to drag out this task. Initial testing has already been carried out.

It is hardly necessary to point out the enormous savings that would be obtained on a countrywide basis if all perishable products shipped by rail (and, in principle, by any other carrier) could be kept under vigilant surveillance. In Polet, 1991 is cited as the year when the system will be implemented. It seems that the wait will be short.

The Siberian designers are ever more confidently dealing with international orbits. For example, they are competing in developments associated with UNESCO and looking into the organization of satellite communications for application to earthquake prediction. Only a short time ago such activities would have been looked upon as exercises offering no practical value. The situation has changed, however. There is now a powerful element at play: conversion.

"Conversion, in our understanding, is primarily the effective utilization of the accumulation of the enormous scientific, technical, and intellectual resources for promoting high humanitarian purposes," said V. Zaytsev, general director of the GPO Mashinostroitel, PO Polet, and Hero of Socialist Labor. Since conversion caught us unawares, we at first had to operate by applying local initiative. The shops were offered their choice of a product, after which unoccupied production facilities were utilized to manufacture 'a thousand little articles.' However, in the future we will become involved in more sizable matters—ones more in line with the collective's capabilities."

Strictly speaking, highly popular consumer goods have been in production there for some time. That is why the semiautomatic washing machine "Sibir-6" is rightly considered to be the best in the country: it is inexpensive, convenient to use, and reliable. No wonder that supply cannot keep up with the demand. Negotiations are being held with a large foreign firm; the purpose is to organize a joint enterprise that would manufacture automatic washing machines capable of competing on the world market.

Among the new products nearing completion at Polet is an automated line for baking 1,100 eclairs an hour. In one of the shops I was shown a model developed by Ukrainian food machinery designers and the Siberian version of the same line. The difference in quality was amazing.

"We are rocket people," smiled Assistant Shop Chief Yu. Bobkov. "We simply do not know how to do sloppy work."

The association has other orders for food industry machinery: lines for producing shortcakes and chocolate bars. Each one is capable of manufacturing one ton of confection per hour. In essence these are miniplants, and their mastery requires quite a bit of effort. All the more since there are no comparable domestic models in existence. None of this may be inspiring, but someone has to bring our long-suffering food industry out of its sleepy backwardness!

The collective's difficulties and unresolved tasks abound. Aviators would say that you must quickly vary

your wing geometry while maintaining altitude. However, the extremely rich experience and high quality of production guarantee that Polet will withstand the trials presented by conversion.

May it have clear skies!

## REGIONAL DEVELOPMENT

### Criteria for Republic Development in All-Union System Outlined

904A0220A Moscow *PLANOVOYE KHOZYAYSTVO*  
in Russian No 1, Jan 90 pp 3-15

[Article by Sh. Mirsaidov, deputy chairman of UzSSR Council of Ministers, chairman of UzSSR Gosplan, doctor of economic sciences: "The Socioeconomic Development of the Union Republic Under Present-Day Conditions"]

[Text] The September (1989) Plenum of the CPSU Central Committee, whose decisions defined the key tasks of our society in the crucial stage of perestroika and outlined fundamentally new strategies for transforming the Soviet federation and for carrying out nationality policy, has taken up a special place in the country's sociopolitical life.

The problem of a new federal system of our state, of a new economic union among sovereign republics, of a qualitatively new form of interethnic relations, has been put on the agenda. An objectively necessary process of renewal has developed, and its effectiveness is determined first of all by the conditions taking shape in society's economic life.

Today, we cannot speak about a high level of the qualitative structure of social production in many union republics, whose economy was formed in accordance with the rigid requirements of the all-union division of labor, which was not optimal in all respects. As a rule, the level of development of republics whose economy was structured as a raw materials base for some particular purpose was considerably lower than their role and place in the all-union and interregional exchange of the results of labor. What is more, a highly organized and efficient mechanism was not created in the country for management of the process of integration within the framework of the unified national economic complex, and as a consequence those republics were unable to enjoy the advantages of equivalent and equal exchange of commodities, which was essentially replaced by something like *prodrazverstka* [mandatory requisitioning of food from growers during the period of war communism] in economic relations. The principles of centralized and mechanical assignment of certain republics to others within the framework of the "producer-consumer" scheme were set up in place of equivalent exchange, and this resulted in a slump instead of technical progress.

Worse than that, in planning we lost the art of making sophisticated use of many economic categories and laws, supposing that the existing federation of union republics in and of itself guaranteed the principles of self-development and self-regulation. Key advantages of the all-union division of labor were practically lost in this approach, and even such a concept as the integrated nature of the economy was viewed only from the standpoint of self-support, which resulted in barter economies within the republics.

These problems were felt with particular acuteness in those union republics which before creation of the USSR had been backward areas; their inability to defend themselves in the present against central departments was manifested in many aspects of economic and social life. For instance, Uzbek SSR to this very day, in spite of favorable conditions for development of production and very extensive aid received from the Union and the fraternal republics, is once again one of the backward regions of our country in its level of economic development, which can be confirmed with convincing figures.

The per capita national income produced in Uzbekistan is only 51 percent of the average union level. The republic's immense economic potential built during the years of Soviet power is ineffective and difficult to manage, and it has been creating the conditions for affirmation of inefficient forms of social production and the extensive pattern of expanded reproduction. The total impact of a number of adverse factors is manifested above all in a slowing down of rates of economic growth. The average annual growth rates of the gross product dropped from 7.2 percent in the 1971-1975 period to 3.6 percent in the 1981-1985 period, those of the national income produced from 6.8 to 3.3 percent, respectively, and those of industrial output from 8.5 to 4.9 percent. It has not proved possible to turn this negative trend around in the current FYP either: average annual growth rates of the gross social product have been only 2.5 percent, while the plan called for 4.45 percent, and for the national income the respective figures were 3.1 and 4.9 percent. The extensive character of reproduction has been directly reflected in the slowing down of economic growth, which is confirmed by the negative growth rate of labor productivity and the output-capital ratio. The lag in economic development is sharply reflected in the standard of living of the republic's population: real personal income is not reaching even 60 percent of the union level, and its rate of growth in the current FYP is expected to be 5-5.2 percentage points lower than the average for the country as a whole.

The question naturally arises: Why is this happening? Uzbek SSR possesses immense resource potential, favorable natural and climatic conditions, and very large areas for the development and location of the productive forces, a rapidly growing population, and sizable unemployed labor resources. With every new planning period, all available resources and capabilities are mobilized for

the performance and overfulfillment of the tasks of socioeconomic development, but the declining economic trend is continuing.

So what is going on here? The answer can be reduced to the following: either because of poor organization of the management of the economy the republic has been unable to utilize the advantages of the present economic union among the republics within the framework of the present federal system of the USSR, or the forms which those advantages take have become outdated and have ceased to meet the conditions and the tasks of the country's socioeconomic development.

The experience of history inclines us toward the second conclusion—the low effectiveness of the mutual relations that have taken shape in the federation. For that matter, we could hardly have expected anything else, since as a consequence of the arbitrary administrative management and planning, the country's entire economic activity was structured not on the regional principle, but by the sectoral principle. Essentially, the territories of the union republics and major economic regions were divided up by sectors, and the economy of the republics became an area and springboard for the managerial activity of ministries and departments and something that was at their disposal. There is specific evidence of this in the low share of income from intraregional production contributed by the republic economy of Uzbekistan—about 15 percent, and also in the fact that enterprises under local jurisdiction manufactured only 8 percent of industrial output produced within the republic. At the same time, the influence of republic administrative entities on enterprises under union jurisdiction was minimal: they mainly figured as middlemen in carrying out decisions taken by the center.

The priority of sectoral interests in state decisionmaking (plus the absence of an economic mechanism at the local level) contributed to the predominance of extensive processes in development of the economy, to the formation of an inefficient economic structure, and to the rapid development of acute social problems. At the same time, interrepublic economic ties were also deformed.

Under those conditions, could the economic activity of the republic generally and consistently meet the needs of the nationalities and ethnic minorities living in them? Of course not.

In practice, the country's unified national economic complex today reflects the interests not so much of the republics as various leading sectors of the economy. The union of republics in the economic plane serves in turn the redistribution among them of the income created in the country. Consequently, creation of real prerequisites for existence of the kind of union among the republics in which their economic dependence—the main condition for harmonization of interethnic relations and an unconditional pledge to the success of perestroika—could be manifested unswervingly and on a sound economic basis.

What are the basic principles that have to be laid down as the foundation of that program? In our opinion, **expansion of economic independence within the country's unified national economic complex must become the general principle for structuring mutual economic relations of the union republic with all-union entities and with other regions.**

In the practical realm, the paramount task in creating the material basis of self-support is broadening and developing the jurisdiction of the union republics in managing economic processes on their territory. The provisions of the published draft of the General Principles for Management of the Economy and the Social Sphere in the Union Republics, which was debated in a session of the USSR Supreme Soviet on 20 November 1989, can in our view be considered a step in the right direction. While it contains many shortcomings and does not go far enough, that document outlines a number of measures to broaden the rights and responsibility of republic management entities, and it delineates the functions and obligations in management of the economy between the center and the union republics.

It specifically proposes transferring to the republics practically the entire economy that is now under union-republic jurisdiction. In the case of Uzbekistan, this would mean increasing the role of industrial production directly subordinate to the republic from the present 8 percent to 68.4 percent, and that is a very important step toward strengthening the republic economy, toward bringing production closer to the consumer, and toward eliminating unnecessary levels in the command-bureaucratic system.

However, in embarking upon such a major breakup of the excessively centralized management structures, the criteria governing transfer of enterprises and associations in the production sectors of the economy to the jurisdiction of the republic must be defined clearly and unambiguously. Otherwise, the normal course of the process of reproduction that has taken shape, including integrated use of natural and economic resources, can break down—and this has actually happened in Uzbekistan already.

Without disputing the correctness of leaving with the Union the heavy branches (machinebuilding, the chemical industry, and possibly certain subbranches of the construction complex), we evidently should take a more judicious approach to the destiny of such branches of industry as the cement industry, the microbiological industry producing feed yeasts, certain production groupings in agricultural machinebuilding, the manufacturing of household appliances, and so on. Under the regional conditions of the republic, the output of these branches is consumed almost entirely at the local level, and only a negligible portion is delivered to the all-union fund and to other regions of the country on the basis of exchange of items in the assortment.

With that in mind, in our view, the transfer of enterprises (associations) to republic jurisdiction should be considered necessary if they operate predominantly with local materials and are oriented mainly toward consumption of their products within the republic. As for the state order for those enterprises, the powers of republic management entities must be limited only to breaking it down and subsequently monitoring fulfillment of centralized deliveries to the all-union and republic funds, assuming subsequent (as wholesale trade develops) renouncement of the system of the republic state order.

If the principles of economic development are to be deepened further and developed in breadth, it would seem that a number of enterprises belonging to the sectors under union jurisdiction must be built in the republic with its resources and by the economy under its jurisdiction. This will make it possible to make economic development more well-rounded and form efficient cooperative relations both within the republic and with other regions of the country.

Further broadening of the powers of the union republic in managing the economy is determined to a considerable degree by the transfer to it of some of the rights in forming the economic levers for increasing the efficiency of the regional process of reproduction. Today, this is a most urgent problem, since it is with it that the success of perestroika as a whole is bound up, since here lies the key to implementing the principles of the reform of mutual economic relations among the republics within the framework of the unified Soviet federation.

The development of economic levers is closely interrelated with improvement of tax policy, and it is no accident that today it is at the center of the liveliest discussions and explorations aimed at achieving financial balance of the economy. But there is an equally acute issue concerning broadening the rights of the union republics in the area of planning, as the most important economic lever for maintaining the economic balance of the regional economy.

For all the defects of the draft, and they have been spoken about repeatedly, one line is traced in it clearly, and this should be acknowledged: the shifting of the center of gravity of the functions in planned management of the regional economy, especially its social sphere, to the republic level. This will, of course, create extremely favorable prerequisites for strengthening the sovereignty of the republics and at the same time will increase their responsibility in dealing with the urgent and acute social problems. But the exercise of these rights in planning, when there is no clear delineation of functions between the basic level and the relevant republic bodies of management, and when in addition enterprises under union jurisdiction have a sizable share, could seriously complicate the process of dovetailing in planning and in creation of the social infrastructure.

The point is that at the present time there is an evident trend everywhere toward invigoration of the basic unit

in developing facilities for social, cultural, and everyday services, and this was set down in the Law on the State Enterprise. It is beyond any doubt that this initiative deserves every kind of support, since in view of a certain poverty of the budget-financed base of the republic (and this is an absolutely obvious fact in the case of Uzbek SSR) and of its local soviets, this will quite perceptibly advance the solution of social problems. But this process also has its negative side, and this is related to its low manageability and the complexity of bringing it under a plan. As a consequence, given the growth in the volume of investment in construction of nonproduction facilities, there is also an increase in the extent to which they are scattered over a sizable number of small projects. Another negative aspect is violation of the principle of combined development of areas and difficulties in carrying out a uniform policy of urban construction.

What is more, the passing on to enterprises of a broad range of obligations related to development of the social sphere at a time when material and technical supply is unstable and they do not have the necessary base, not only diverts energies from their principal activity, but also predetermines the extremely low efficiency in use of the resources allocated to social purposes. It seems necessary, then, to delineate in legislation the functions of the basic level and republic authorities for planning the development of the social sphere, assigning to enterprises mainly the functions of creating normal working conditions in production and construction of the facilities of the infrastructural complex directly serving the production process (dining rooms, medical institutions and clubs, stores and everyday service stations for enterprises, public health zones, etc.). As for creation of other elements of the infrastructure (housing, schools, children's institutions, municipal services and utilities, etc.), enterprises should make deductions at firmly established rates to the republic (local) budget or off-budget funds to cover the portion of resources for social development intended for these purposes.

Delineation of the spheres and functions of economic activity between the center and the union republics, we are convinced, must not in any case pursue the goals of localism and autarky. On the contrary, it must be aimed at strengthening the mutual economic relations and mutual obligations of the center and the republics.

Looking to Uzbek SSR, as indeed to the country as a whole, the formation of the structure of mutual obligations both on the part of the Union and also on the part of the republic has proceeded without taking regional peculiarities into account. This has had the result that today our republic occupies one of the last places in the country with respect to practically all indicators of social development. The problems of employment of the population have become extremely acute, the environmental situation has become problematical, and as a consequence there is social tension in a number of the republic's regions. The transition to self-government and self-financing of the republic under these conditions, which presupposes a broadening of its sovereign rights in all the

domains of relations in social production, is undoubtedly a stimulus to development and improvement of mutual obligations and will create guarantees for the normal course of the process of reproduction both in the unionwide and also the regional economy.

Uzbekistan, as is well-known, meets a sizable portion of the nationwide needs for cotton fiber, early vegetables, fruit, melons, and many industrial products (machines for the cotton complex, manufactured fertilizers, nonferrous metals, etc.). These are all specialized branches which already rest on a certain production potential and human potential and the corresponding infrastructure, and it is these branches that determine the republic's place in the all-union division of labor. At the same time, in meeting obligations to the country for deliveries of these products, the republic does not possess an adequate base for integrated development of other branches oriented toward the social needs of the population. The hypertrophied raw-materials structure of the economy, based on the cotton monoculture and predominant growth of branches of industry engaged in the primary processing of agricultural and mineral raw materials and the manufacturing of intermediate products, has put the republic in an extremely serious economic position. It is sufficient to note that it has been having an adverse effect on the size of the national income produced in the republic—as indicated by the rate of the surplus product in agriculture, which is 21 percent, as against 430 in light industry and 812 percent in the food industry. As for industrial production, here the share of finished products and consumer goods is only 25 percent of total output.

What we have said confirms quite obviously the need for qualitatively new economic content of the principle of mutual obligations to replace the present administrative-command procedure governing relations with the center. For instance, when it is a question of product deliveries, they must be regulated by long-term agreements between the union government and the republic government on a contractual basis, and the economic stimulation of such agreements must be guaranteed by the right to obtain preferential taxation on products which the republic delivers to the all-union stock.

Another way is seen in increasing the share of payments from profit (related to products delivered) into the republic budget, accompanied by a corresponding reduction of the share of deductions paid into the union budget. It is necessary that if the republic fails to perform contracts, it will be subject to fines, which would be penalties of a budgetary nature, or it would be subject to other measures representing economic pressure.

In raising the problem of developing a system of mutual obligations, we need to emphasize the importance of defining the ways in which the minimum guaranteed level of consumption is to be safeguarded. Given the present procedure for pricing and the financial-and-budget relations that have taken shape in the Union, the level of satisfaction of needs for material goods and

services is in Uzbek SSR less than half the level of their optimum consumption, and the adequacy of social consumption funds (on a per capita basis) is at the level of 65 percent of the average union indicator. We should add to this that the republic's budget has reached a subsidy level of 2 billion rubles.

It is natural that in this situation the conclusion should suggest itself that the republic is living beyond its means, and that kind of judgment has already cropped up in the pages of the press and in statements by certain central departments and in other republics. But a thorough examination of the nature of the situation that has come about reveals a different picture. Yes, it has to be admitted that it has resulted in part from a scale of production that is still insufficient, from poor development of personnel, from the low efficiency of production in a number of branches and from the peculiarities of Uzbekistan's demographic situation.

But objectively there should also be agreement that for a number of reasons imposed by certain costs of the period of stagnation—excessive centralization of power, the desire of the "elites" to solve the problems of development of the productive forces in the union republics according to a single rigid pattern, while ignoring regional and above all ethnic interests, experience, and the peculiarities of the historical development of the republics—in the all-union division of labor, Uzbek SSR was assigned the role of an agricultural and raw materials producer, with a high concentration of agricultural production and the resource branches of heavy industry (the chemical industry, the fuel and power industry, ferrous metallurgy) which, as we have already shown, have a low rate of the surplus product. As a result, that rate in the republic is to this very day barely half as high as the average for the country, and between one-third and two-fifths of what it is in the Baltic Republics. That accounts for our limited opportunities to form our own resources for accumulation in order to solve urgent social problems.

The draft of the General Principles on Management of the Economy and the Social Sphere in the Union Republics notes that the Union will assume the obligation to provide grants and subsidies to those union republics in which the level of satisfaction of the needs for certain goods and services has for objective reasons been substantially lower than the average for the country and standard requirements. Practical implementation of that principle requires a more straightforward definition of the criterion used for financing the social sphere of the union republics out of the Union budget.

In our view, this purpose should be served by nationwide social programs ("Housing," "Health," "Education," "Environment," etc.) which would specifically define the following: the regional aspect, sources of financing, and the size of grants and subsidies from the union budget. These nationwide programs must be taken up and approved by the USSR Supreme Soviet and subsequently included in the state plan and budget of the

Union of SSR. Only this kind of procedure makes it possible in the context of the transition of the union republics to regional cost accounting to democratically establish equally strenuous requirements and obligations of the state and regions in solving social problems.

The shaping of the economic independence of the union republics in the context of a uniform all-union economic policy is not, we are convinced, an act that signifies the same thing for all regions of the country. In every republic, the initiation of this process will be distinguished by its own distinctive features. For example, Uzbekistan has a very complicated demographic situation (high birth rates), which places its imprint on the typification of the process of reproduction and has a substantial influence on the republic's rates of economic development and on the solution of problems related to the population's standard of living. The problem lies above all in use of the rapidly growing labor resources, since to a certain degree this factor will hold back the process of intensification of labor aimed at achieving high productivity. In just 12 years, the labor supply has grown by half, but the average annual rate of growth was 3.4 percent. During those years, Uzbek SSR accounted for about one-third of the growth of the entire country's population of working age; every year the republic's labor resources are growing by 220,000-230,000 persons. In 1988, the size of the able-bodied population reached 9.7 million, 2.25 million of whom were not employed in social production. Even during the 13th FYP, a growth on the order of 1.4 million persons is expected, which in the context of the present labor surplus aggravates extremely the problem of employment for the population.

The present employment of labor resources in Uzbek SSR cannot be called either full or optimal. This is indicated first of all by its low level, by the agricultural orientation in the use of labor resources, by the lag of employment in the social sphere and self-employment, by the low efficiency of work, and by disproportions in the employment of men and women. All of this makes it inevitable that the republic should lag behind in the rise of labor productivity, and the level of employment in social production holds at the level of 76-77 percent. Consequently, every year Uzbekistan is lagging further and further behind the other regions of the country in social development.

The actual unemployment against the background of the all-encompassing shortage of labor resources in the country, the deterioration of the environmental situation, and the drop in the standard of living and prosperity of the population are resulting in growing social tension in certain regions of the republic. All of this advances the task of defining without delay the priority directions in solving the problems of employment and of unfailingly taking them into account in planning work and actual practice. If they are to be solved effectively, it is advisable that the following fundamentally important conceptual principles be taken as points of departure.

First, in view of the regional peculiarities in the republic's development, employment will develop here in the future not only on the basis of intensive factor, but also extensive factors. By contrast with a majority of the country's republics, the size of the labor force in Uzbekistan's material production will decrease only in relative terms (an absolute reduction of the size of the labor force will occur only in agriculture).

Second, the policy of employment oriented toward the social sector must be conducted in the republic so as to take into account not only the economy's need for manpower, but also the employment needs of various social and demographic groups of the population. In other words, solving the problem of employment under the conditions of Uzbek SSR completely precludes an approach to labor resources that looks only at the totals.

On the basis of these two conceptual principles, a most important role in solving the problem of full and optimal employment of the population must be played by achievement of balance between the growth of labor resources and the growth of jobs. Among the urgent measures in this direction is the task of providing work even during the 13th FYP in all spheres of activity (including full-time studies) to cover the entire growth of labor resources, and that requires using the most diverse forms in the employment of labor and the organization of work. The objective basis for solving this problem will be the improvement of structural policy that began during the current FYP.

We should note in particular that in the present stage of socioeconomic development the problem of quantitative balance between labor resources and jobs has a clearly pronounced qualitative aspect, specifically: there is a shortage of skilled workers against the background of the general oversaturation with labor resources. Accordingly, in solving the problem of achieving optimum employment of the population emphasis must gradually be shifted to its qualitative aspect with a view to achieving in the republic qualitative indicators of the labor force that would be the same as the average union level. Here, of course, it is not possible to lose sight of the quantitative aspect of full and optimum employment of labor resources.

Practical appreciation of all the regional peculiarities we have mentioned naturally advances as a principal direction in the structural revamping of Uzbekistan's economy **priority development of labor-intensive branches of industry**. In view of the specific nature of the republic's economy, we should above all single out light industry and the food industry, a number of branches of machinebuilding, and other labor-intensive branches of production.

Particular attention needs to be paid to selection of strategies for future development of agricultural production. It is well-known that the possibilities for extensive development of this sector have been completely exhausted at this point under the republic's conditions,

and it does not seem possible to achieve employment of the rapidly growing rural population in rural localities. On the contrary, if the efficiency of the agricultural sector of the economy is to rise and it is to become more profitable, everything has to be done to set processes in motion to relieve it of excessive manpower. So, the need for an essential broadening of the sphere of employment outside agriculture is being put on the agenda; this would be mainly by locating enterprises for the processing of agricultural raw material and local resources and also through development of the social sphere, whose indicators are extremely low in rural localities.

Personal subsidiary farming operations must play a large role in solving the problem of rural employment. This specific sphere of employment possesses an important feature of its own—it makes extensive use of the work of both mobile and also immobile labor resources. At the present time, these farms, while occupying 3 percent of all the cropland in the republic, provide about a fourth of the total production of agricultural products, including almost half of all the animal products produced in Uzbekistan (if we ignore the fact that the feed is produced in socialized agriculture, on kolkhozes and sovkhozes). But for a very long time the role of personal subsidiary farming operations, looked at as a sector for employment, for increasing total family income, for providing food to the republic's population, has been underestimated, and only in the last few years have attempts been made to correct the distortions that had occurred. The most important steps in this direction are the decisions adopted in the republic on doubling the permitted size of the homestead plot and on conclusion of contracts for production of agricultural products in personal subsidiary farming operations, etc. The first results of the new approaches indicate a growing interest of the population in doing this kind of farming. According to preliminary outlines, this will make it possible to increase the employment on them by 1.5-fold.

Essential corrections have to be made in the policy governing the location of production, emphasis being put on the remote areas of the republic, small cities, worker settlements, and large rural settlements. The experience with creation of industrial giants in the Central Asian cities has not given a good account of itself from the standpoint of developing local personnel of the indigenous nationality. On behalf of effective solution of this problem, preference should in a number of cases be given to small and medium-sized enterprises located where there are surplus labor resources. Nor can the psychological aspect of solving this problem be overlooked: the problem has to be solved of increasing the prestige of industrial types of work among the republic's indigenous population. To that end, the most urgent measures should be taken toward effectively raising the level of education in all educational systems so as to guarantee a qualitative growth of manpower and to develop in people the potential ability to change jobs and master new equipment and technology.

There is an immense job to be done in restructuring vocational guidance measures, in developing in young people a desire for present-day types of work for which the need will grow steadily as production intensifies. In keeping with structural shifts in the economy, the fields of training given to workers in agricultural vocational and technical schools should be changed and broadened so that they train not only machine operators for agriculture, but also workers for occupations that follow the product from beginning to end.

There is large untapped potential for achieving optimum employment in the development of cooperatives, above all for the production of consumer good and rendering services to the public, but also in attracting women into social production to work nonstandard and flexible work schedules.

We should mention in particular the sizable potential there is for increasing employment by developing the social sphere, which is today at one of the lowest levels in the country. Plans call for assigning about half the growth of labor resources (on the order of 43-45 percent) to nonproduction branches, above all health care, public education, and everyday and municipal services to the public.

The policy of socially oriented employment will be conducted so as to take into account not only the republic's demographic peculiarities, but also a radical improvement of work quota setting, the organization of work and working conditions, as well as measures to reduce workplace accidents, etc., while at the same time resolutely renouncing the sectoral principle, which is now predominant, in the approach to labor resources, whereby union ministries and departments forced the republic into average-union standards with respect to the structure of the economy, the forms of the organization of work and work schedules, many of which are manifestly inadmissible under the republic's specific conditions.

Optimum location of the productive forces and the geographic organization of social production have just as great importance as employment. Current practice in this area is characterized by numerous cases of discrepancies between the type and scale of production operations being built and expanded and local resources and needs, cases when the availability and composition of labor resources, the work habits of the local population shaped by history, and also requirements as to environmental protection and development of the social infrastructure have not been sufficiently taken into account when enterprises were being located. The absence in this area of a straightforward and scientifically sound conception and the subjective forced decisions lie at the basis of the sectoral and geographic disproportions that exist today in development of the republic's productive forces.

The deficiencies that have been built up in the republic's economy over a lengthy period of time are imposing the necessity of radical transformations, a thorough restructuring of the entire system of distribution of social labor so that the social problems that have come to a head can

be solved in a fundamental way. The basic principles governing the location of the productive forces under the new economic conditions are now these: the social orientation of the development of regions accompanying their accelerated industrialization; proportional development of the branches of social production and the infrastructure; thorough restructuring of the branch structure of industry; optimum combination of large, medium-sized, and small enterprises in the process of location and development; and establishment of more severe environmental requirements.

Implementation of these basic principles will become possible only under the condition of broad introduction of a mechanism for economic stimulation of regional development. An incentive system of this kind must in our view include a fund for stimulation of regional development; bank credit; the charge on labor resources and natural resources and also for exceeding the maximum permissible discharge and emission of harmful substances into the environment, which would be differentiated by oblasts; a differentiated package of standard rates of efficiency of capital investments; grants in aid of various kinds differentiated by oblasts, and so on.

The end result of the policy governing location of the productive forces must be manifested above all in creation of conditions for the fullest satisfaction of people's material and nonmaterial needs, improvement of the quality of their life, protection and restoration of the natural environment, and raising the level of social welfare of the republic's population.

Under the specific conditions of the transition of Uzbek SSR to self-financing, an issue of extreme importance has been put on the agenda: interrepublic sharing of the water resources of the basins of the Syr Darya and Amu Darya Rivers. As is well-known, intensive development of the land in the republics of Central Asia and southern Kazakhstan over the last 20 years, in the absence of the work that should have been done to improve irrigation and drainage and increase soil fertility, have had the result that the productivity of irrigated farmland has been dropping everywhere. In deciding the questions of water resource use, then, each of these republics should be entitled to equal conditions for development of the productive forces.

On the whole, the problem of interrepublic water distribution needs to be solved on the basis of an integrated appreciation of not only the factor affecting the volume of water consumption, but also demographic peculiarities, social conditions, and environmental problems.

Since irrigated land in the Central Asian region produces more than 95 percent of the entire output of agriculture, one of the principal criteria in water sharing, we are convinced, should be an indicator characterizing the per capita amount of irrigated land. To be specific, for Uzbek SSR it is 0.22 hectare, one of the lowest in Central Asia, as compared to 0.31 in areas of Kazakh SSR located in the basin of the Aral Sea, 0.25 in Kirghiz SSR,

and 0.36 in Turkmen SSR. Only in Tajik SSR is this figure still lower—0.14 hectare, but the condition of the land in Tajikistan with respect to irrigation and drainage and its productivity are considerably higher than in Uzbekistan.

Fair distribution of water resources must be based on strictly scientific principles and must be done with the help of highly qualified specialists. According to our preliminary estimates, Uzbek SSR can claim to receive at least 2 km<sup>3</sup> of additional water per year.

One of the most important conditions for introducing regional cost accounting (khozaschet) is the equivalence of commodity exchange between union republics. Advancement of this requirement in the context of centralized distribution (allocation) of resources and undeveloped wholesale trade is senseless from the theoretical viewpoint; for all practical purposes this would amount to trying to get special advantages for ourselves at the expense of others. It is a different matter under the new economic conditions, when equivalence gives way to comparative measurement in value terms on the market assuming an exemplary balance between supply and demand.

It is quite clear that attempts to avoid centralized distribution of products produced in the republic and to sell them through wholesale trade, but at the same time to obtain imported products in the old way, through distribution of market stocks, are not meeting with support on the part of sectoral management entities nor in other union republics. But if the republics are to actually become economically sovereign, they must obtain rights with respect to creating, developing, and liquidating specific branches and types of production operation as the interests and capabilities of the population develop and also in view of the economic situation.

The question arises: How is equivalent exchange among the republics to be organized so as to minimize the role of prices in the redistribution of the income created by producers?

It is evident that the estimate of interregional deliveries by the consumer on the basis of the conditions for reproduction in his region results in a certain redistribution of the value created through prices. In connection with solving the problem of minimizing the redistribution of income through prices, there seem to be two levels of problems. The first results from the need to find units of measurement that really reflect the ties that have been established and level out the defects and deformations of the present pricing system and finance-and-budget mechanisms; the second results from the search for practical mechanisms to guarantee the equivalence of interrepublic and interregional exchange.

Solving the problems at the first level requires analysis of all the factors giving rise to differences in structures of the gross social product produced and used in the republic. This analysis must be done along two lines: estimation of specific regional resources that participate to one degree or

another in the system of all-union division of labor, and estimation of imports and exports according to the conditions of the republic's reproduction in order to break down clearly those sectors whose products it would be best to import. In this way, one discovers the basic priorities in the structural revamping of the economy. Naturally, product imports and exports have to be measured either in terms of work content or in prices close to value in order to determine to what extent the turnover tax accrued and realized within the republic is performing the role of a redistributor of the national income created (or again, does that redistribution take place through the accumulation fund of the national income used by virtue of centralized state capital investments).

Solving the problems at the second level makes it possible to work out a strategy for organizing equivalent exchange. Here, there seem to be two directions for practical realization:

- creation of mechanisms for exchange of products produced within the limits of the all-union state order and deliveries to the all-union fund, which must be guaranteed both by the relevant superstructure of the financial-and-credit system and also by the preferential (guaranteed) material and technical supply;
- organization of market mechanisms for interrepublic exchange (a number of problems related to creation of the relevant infrastructure of the market impinge here together with information about conditions on the all-union socialist market in a regional breakdown, tax regulation of the structure of republic imports and exports by joint-stock and joint enterprises, cooperatives, and individuals engaged in self-employment, including products of personal subsidiary farming operations, and the organization of joint and stockholding forms of interrepublic trade, and so on).

Here, of course, one can speak about the equivalence of relations only insofar as the infrastructure of the market for the goods in question is created and adjusted. Indeed, the very problem of equivalence of exchange will be worked out in another plane—from the positions of the law of supply and demand. Here, the process of evolution of the all-union socialist market will put on the agenda the issue of restoring clarity in the all-union division of labor that has taken shape.

The example of Uzbekistan vividly confirms that if relatively low prices of raw materials are preserved along with high prices of finished industrial products, the structure of imports and exports in republics supplying raw materials will not be formed to their advantage. The situation is compounded by the fact that prices of raw materials, as is well-known, are stable, and the list of these products has not changed for many years, whereas prices of the end product are rising practically out of control. As a consequence, the scissors between imports and exports are opening wider and wider every year. It is no accident that interrepublic commodity exchange is characterized under our conditions by considerably larger imports than exports, and the gap is growing steadily: the ratio between them was 1.25:1 in 1977,

1.41:1 in 1982, and 1.52:1 in 1987. Specifically, more than 40 percent of products for production purposes and 35 percent of products intended for personal consumption are furnished in the republic either by being brought in from other regions of the country or imported from abroad.

At the present time, Uzbekistan has a negative balance in interregional economic relations with almost all union republics except Estonian SSR, Tajik SSR, and Moldavian SSR. The sum total of the surpluses represents only 4 percent of the sum total of the deficits. Thus, the present structure of production does not meet the requirements of strengthening cost-accounting principles in the functioning of the republic's economy, and it puts limits on our own sources of accumulation for expanded reproduction.

What is more, we need a thorough reassessment of the relations between the center and the republic as a whole, above all with respect to the basic item which the republic ships out—cotton fiber, including for foreign export, along with a complete technical-and-economic substantiation of their equivalence, since the method now used for computing the national income does not guarantee the requisite reliability of the new value being created in the republic. And this in turn results in a distortion of the real picture of the efficiency of use of production resources and level of intensification of the economy, and it gives rise to unfounded ideas about someone's "dependency."

The transition of the economy of the union republics to the principles of self-management and self-financing makes it a necessity to develop and elaborate further the procedure for forming all-union and republic foreign exchange holdings. In Uzbek SSR, foreign trade in the principal item imported from abroad—textile raw materials, exceeds 1 billion rubles at the present time (converted to domestic prices). The total volume of foreign exchange realized through the present procedure accumulates in the union foreign exchange holdings, and settlement is made with producers of raw materials at prices adopted within the country.

In this situation, the republic cannot form its own foreign exchange holdings from foreign exports, but to a certain degree loses on the turnover tax, which could potentially be obtained if this raw material were processed into the end product within the country. For that reason, on the basis of the republic's contribution to the country's foreign exchange holdings, and also in view of the lack of equivalence in terms of real value content between the domestic and foreign exchange ruble, we consider it advisable as a possible variant to transfer to the republic a portion of foreign exchange proceeds (according to the calculations of scientists, approximately 40 percent) or compensation for textile raw materials sold at domestic prices. A change in the procedure for crediting the proceeds from exports would give the republic on the order of an additional 500 million rubles per year. The necessary conditions for ensuring the organization of equivalent exchange is to

work out the legal mechanism for protecting the republic's interests, including the right to issue normative acts, a mechanism for unswerving observance of the economic and legal foundations of the economic independence of state and cooperative enterprises, and an all-out strengthening of economic methods of guidance and adoption of progressive forms of economic activity.

Consequently, the most rapid transition of the union republics and regions to the new economic principles and expansion of their economic independence are becoming the principal form through which social production is undergoing intensification. The filling of this form with concrete content is decisively determined by the specific nature of regional peculiarities and the specific socioeconomic problems facing each republic. The democratization of society and reform of the political system are the guarantees that effective mechanisms will be found for solving these problems.

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### **Vlasov Interviewed on Plans for RSFSR Economic Sovereignty**

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[Interview with Aleksandr Vladimirovich Vlasov, candidate member of the CPSU Central Committee Politburo and chairman of the RSFSR Council of Ministers, by Vladimir Patsiya; date and place not given.]

[Text]

[Patsiya] The development of the republic's economic independence and the shift to territorial cost accounting are objective conformities to natural laws. Everyone, who agrees with the logic of life and the need to renew Soviet society, admits this. The time has come to act. Does it not seem to you, Aleksandr Vladimirovich, that those scientists and practical workers, who maintain that the shift of the RSFSR to cost accounting has been delayed, are correct?

[Vlasov] No, it does not seem so. Although I take to heart the people's impatience and desire to achieve a decisive improvement in the republic's economic situation by expanding its sovereign rights and shifting to the principles of self-management and self-financing. The government is tightly linking the strengthening of the Russian Federation's and its region's interest and responsibilities in accelerating social and economic development and raising the effectiveness of social production with the solving of these questions.

A few words about how matters stand today. The RSFSR Council of Ministers is constantly analyzing the progress in preparing for the republic leadership's shift in the economic and social areas to the new principles. The government commission for improving the economic mechanism is participating very actively in this work.

After a careful review of the proposals from the local areas, the Presidium of the Council of Ministers gave—as they say—the “green light” for the shift to self-financing and self-management on 1 Jan 1990 to Moscow, the Tatar ASSR and Sverdlovsk, Kemerovo, Vologda, Chelyabinsk, and Tomsk oblasts.

More than 30 autonomous republics, krais and oblasts are today actively engaged in developing conditions for this shift with a consideration for local peculiarities. A republic-wide concept has practically been formed. It is planned that all regions and the RSFSR as a whole will shift to the principles of self-financing and self-management on 1 Jan 1991.

It is necessary to say that the shift of such a complicated organism as Russia to cost accounting requires a comprehensive stock-taking of its specific features. Here, enormous preparatory work and a great deal of caution are equally important.

Moreover, one must keep in mind that the USSR Supreme Soviet has still not adopted any laws concerning the general principles for directing the economic and social areas in the union republics or laws concerning the general principles for local self-management and the local economy. Understanding the role and place of Russia in the Union, we do not think it possible for us to exceed the limits that will be defined by these laws. Incidentally, I will note that the concepts themselves of “territorial” and moreover “republic” cost accounting—which have become so current today—are still not scientifically defined, strictly speaking. We use them only for brevity's sake when we talk about increasing the economic independence of the RSFSR and its individual regions.

[Patsiya] Excuse me, Aleksandr Vladimirovich, but here I would like to ask you: How are the questions of budget policy and the leveling of the “starting” conditions in the republics and regions during their shift to self-financing now coming before the government? You see, all these questions disturb USSR people's deputies—they cannot fail to disturb them....

[Vlasov] You have just touched upon perhaps one of the central questions in improving the republic's economic independence—the establishment of a new financial planning system. At its basis, we have placed the principle that the amount of resources, which are directed toward the economic and social development of the republic and its regions, will directly depend on the work results of enterprises and organizations, which are located on their territory. In other words, we are talking about earning assets as the basis for social justice.

In doing this, we must carefully consider the specific peculiarities of the Russian Federation. First of all, the very structure of its national economy foreordains greater product capital-intensiveness and labor-intensiveness than in the other union republics. This, naturally, reduces the effectiveness of the economy.

It is known that 73 percent of the production in Russia falls to enterprises of union subordination. For example, in Moldavia, on the contrary, 75 percent of all the enterprises are subordinate to the republic. Based on this, with the shift to self-financing we can lose six-eight billion rubles, since it is assumed that union enterprises will allocate significantly less profit to the republic's budget than will enterprises of republic subordination.

On a per capita basis, the republic occupies second place in the country in the production of national income and fourth place in nonproductive consumption. Of course, this has taken shape historically but you will agree that such a ratio between the level of production and consumption is far from social justice....

Another matter. In 28 of the 73 regions of Russia, expenditures exceed income by 12 billion rubles. Many of them are living on subsidies. At the same time, while transferring, at times, multibillion sums to the union and republic budgets, they are noticeably lagging behind based on the development level of their social and cultural area. One must add to this the fact that almost two-thirds of RSFSR territory is located in the Far North area and rayons equal to it. There, the construction and operation of enterprises and social and everyday installations is twofold-threefold more expensive than in the rayons of the country's European part.

I think that the facts cited convincingly testify that a unified and leveled approach to self-financing is completely unacceptable under RSFSR conditions.

In our view, it is necessary to make adjustments in the existing distribution ratios. Russia could fill its treasury either by expanding the area of its influence over enterprises of union subordination or by raising the norms for deductions from their profit.

Concerning the establishment of equal “starting” conditions, it is necessary to form in the RSFSR a regional development fund, whose source could be the increased revenue norms from territories possessing more beneficial natural and economic management conditions—distinctive rent payments. In order to intensely develop the Far North's natural resources, which have a continuously growing national economic importance for the entire country, one should examine the question of establishing a special centralized fund at the union level.

We have already gone to the union agencies with proposals on all fundamental questions connected with drawing up the RSFSR budget. In this regard, special attention was paid to the need for a substantial change in the wholesale prices for fuel and raw material resources, machine building and agricultural products and building materials. It is clear that the development of a complete RSFSR self-financing mechanism is possible only when such a change in prices occurs under the conditions of an equivalent exchange.

[Patsiya] It would be interesting to hear how local budgets will now be drawn up.

[Vlasov] The main condition for their full drawing up is new wholesale prices in combination with differentiated (by territory) deduction norms. Primarily, payments from the profit of enterprises and organizations subordinate to the local Soviet; fees from all enterprises located on the territory for land, water and labor resources; and revenue from local taxes and collections from the population will be part of the budget. Moreover, local budgets will be formed from the turnover tax and payments from the profits of enterprises of union and republic subordination.

I would especially point out that the formation of local budgets will normally occur without the allocation of any additional grants from union and republic budgets. At the same time, the shift to self-financing is opening up a broad expanse for local soviet and economic agencies to display initiative and enterprise in earning assets. Of course, one must carefully prepare for using these assets wisely and for assimilating them fully.

While working on questions pertaining to the shift of the regions to cost accounting, we have drawn up general approaches to the territories' self-financing considering their specifics. Regions with a highly developed industrial potential form the main group. Here, self-financing can be based on the model developed for the Tatar ASSR and Sverdlovsk Oblast. Another group is characterized by a high level of development in agriculture. Here, a different study of sources for forming local budgets and of principles for interrelationships between agrarian associations and industry is required. Finally, territories with a persistent subsidy nature of development, such as Kamchatka Oblast and the Tuva autonomous republic, require a special approach. The "megapolises"—Moscow and Moscow Oblast and Leningrad and Leningrad Oblast—are being examined separately.

It is also important for our specialists to take into consideration the new social norms for supplying the RSFSR population with housing, hospitals, schools, children's preschool establishments, clubs, and other installations in the nonproduction area. The preparation of a combined balance of autonomous republic, kray and oblast resources is being completed.

... Thus, the question, which was posed at the very beginning—Has the shift of the RSFSR to cost accounting been delayed?—has a rather rhetorical nature for us. It is clear that slowness and sluggishness are intolerable here. However, insufficient thought and haste are even more dangerous. The responsibility to Russia is too great.

[Patsiya] Only a year remains to complete the entire preparatory work for shifting the republic to the principles of self-management and self-financing. There is no time to spare. Tell me please how this work is going? Who is participating in it? Will we manage to complete the preparation of the republic's entire national economic complex and local economy during the time remaining until 1 January 1991?

[Vlasov] The title-role, of course, belongs to Russia's Gosplan and its economic scientific research institute. The scientists in the Siberian, Ural and Far East divisions of the USSR Academy of Sciences; the Moscow National Economic Institute imeni G. V. Plekhanov; the Leningrad Financial Economic Institute imeni N. A. Vosnesenskiy; and a number of other VUZ are working with us.

Many leaders and specialists in local party and soviet agencies, individual scientists, even complete scientific collectives, and the mass information media are completely engaged in the preparations for the shift of our regions to self-management and self-financing. Specialists from republic agencies have traveled to the local areas in order to provide assistance in this work. Many USSR people's deputies have also actively joined in it.

We support such activity. The variety of approaches will permit us to accumulate the experience without which we would be doomed to shift to cost accounting "off the top of our heads" as they say. I think that we will not be held up at the start thanks to our careful preparatory work.

[Patsiya] Incidentally, how did you regard the meeting of the group of USSR people's deputies from the Russian Federation in Tyumen? In particular, their reproach that neither the republic's Supreme Soviet nor Council of Ministers are seeking the advice of USSR people's deputies?

[Vlasov] We are always prepared to examine and consider any proposals that are dictated by a concern for Russia's good. However, honestly speaking, would it not have been simpler to meet with this group of deputies in Moscow and not fly to a meeting with them in Tyumen? Incidentally, our meetings with representatives from the deputy body from the RSFSR are not that much of a rarity. For example, there was an interesting discussion with Ural deputies this fall. During the work of the Second Congress of USSR People's Deputies, we discussed in detail the problem of Russian sovereignty, including a consideration of the new phenomena in the cultural area, with the writer deputies V. Rasputin and V. Belov.

At the same time, one must admit that these contacts frequently still have an episodic nature. There is something to think about here. Moreover, nuances exist here. You will agree that it is not very convenient to include USSR people's deputies directly in the solving of problems that are particularly Russian. You see, their primary mission is to participate in comprehending and solving problems of a union-wide nature. As is known, quite a few of them have accumulated.

[Patsiya] You touched above upon the subject of reviewing wholesale prices under the conditions of an equivalent exchange between republics. When speaking about Russia's shift to cost accounting, the question of why its mutual relations with its partners are not regarded as of paramount importance may arise in many people here.

[Vlasov] I would like to point out that, in general, the trade in goods with other union republics has a positive

balance; the excess of exports over imports is approximately four billion rubles. Under the conditions of the existing price system, however, this does not fully reflect the real importance of the Russian Federation's economy in the all-union national economic complex.

In connection with the adoption of the Law on the Economic Independence of the Baltic Republics, the question of an equivalent exchange, which is possible only with a review of wholesale prices for raw material and fuel and energy resources, has risen to its full height in front of us. The RSFSR, which annually exports beyond its boundaries 23-25 billion rubles of raw material products and imports 40-45 billion rubles of consumer goods will suffer enormous costs with the preservation of a nonequivalent exchange. In this case, these costs will lie on Russia's economy like a heavy burden.

[Patsiya] Judging from everything, the main principles, on which the new concept for managing the republic's economy and social area is being constructed, have already been determined. Which of them do you think necessary to single out especially?

[Vlasov] There is an answer to this question. If Russia moves to complete economic independence and complete sovereignty, as the Baltic Republics have achieved for themselves, the country will immediately retreat from a federation to a confederation. Here, I must say right out that we stand firm for the strengthening of the country's single national economic complex and for the genuine equality and harmonizing of relations between the republics with absolute priority to all-union interests.

In other words, we are in favor of a solid union, but a union of really equal republics. We think that the establishment of inter-republic economic relations, which would be beneficial for each republic, is one of the key items. In addition, this also means expanding the sovereign rights of the RSFSR in managing the republic's economy and social area.

[Patsiya] The contradictions between the interests of labor collectives and the territories were strengthened during the economic reforms. This has caused additional difficulties in solving social problems and has led to an intensification of tension. In your opinion, what are the reasons for the difficulties in implementing the new economic reform—do they lie in the imperfection of the principles laid down in its concept or in the inability and even the unwillingness of enterprise collectives and local soviets to reorganize their work?

[Vlasov] The entire problem is that a mechanism has not been developed to implement the reform. We have already rejected administrative command methods but we have still not begun to work on economic levers. This explains the strengthening of the trend toward consumption. We have had occasion to encounter the driving of local agencies to gain the maximum beneficial conditions for themselves, to redistribute the union and republic budgets in their favor,

and to get for themselves as many enterprises of republic and even union republic subordination as possible during the shift to cost accounting.

Here is a concrete example. For a long time, the Kemerovo oblispolkom has insisted on the transfer of more than 120 enterprises of union and republic significance to its subordination. The amounts of future deductions for the local budget were enticing. How these enterprises would work and be developed—seemingly, this is not their affair. In any case, when computing the still unproduced profits, they did not find time to think about modernizing the enterprises and introducing scientific and technical achievements and new management forms into them. To the credit of the Kemerovo people, they were basically able to overcome their regional ambitions and look at the question broadly and on a state-wide basis.

Unfortunately, other directors still regard the subordination of enterprises in the old and usual sense—as the right to command them. Thus, a departmental dictate can be aggravated by a local dictate which is usually not a bit better than a “ministry” one.

The fact that the tendency to economic separatism is gathering strength here and there also calls attention to itself. As a rule, it arises because of distorted notions of regional cost accounting. The matter is often interpreted as follows: a region's seeming economic independence almost automatically guarantees a rapid increase in the standard of living. In this regard, the just demands about granting real rights often grow into regional egoism. In particular, it is being displayed in a noticeable change in the approaches of a number of oblasts, krais and autonomous republics toward the distribution of material and technical resources and consumer goods produced locally and, especially, toward deductions for the union and republic funds.

I must say that here the very idea of “hide-and-seek,” with whose help it is seemingly possible to solve very complicated problems in an almost offhand manner, is dangerous here. This myth has already arisen and has taken root in the consciousness of many people. We are encountering quite a few difficulties in overcoming it.

Of course, it is very important to create an economic mechanism that would interest territorial agencies in the efficient operation of all the region's enterprises. In turn, the enterprises should receive a return from their contribution to the integrated development of the oblasts, cities and rayons. In the final analysis, we are talking about reasonable decentralization; about a clear differentiation of competencies, rights and duties in the different management levels; and about the appearance of an optimum relationship between territorial and branch planning principles.

The main thing is that regional cost accounting has been called upon to contribute to improving the work of labor collectives—the main production links—and based on

this, developing the economy and improving the people's standard of living. In this connection, I will point out that all republic enterprises and associations are now operating on different cost accounting models. Lease relationships are being expanded more and more, although not without difficulties. The new management methods are already proving their advantages.

The growth rates of labor productivity are increasing and expenditures per ruble of commodity production have decreased in enterprises that have mastered these methods. Here, the scales of production reconstruction and technological re-equipping are being expanded, contract obligations are being fulfilled more strictly, and the growth rates in product output are twofold-threefold higher than in industry as a whole. These processes will receive further development.

[Patsiya] Is not the fact that guarantees to own the profit earned and the haste of some republics and regions to declare land, water and mineral resources their own property the reasons for the appearance of economic separatism?

[Vlasov] We understand that any crisis situation in the economy gives birth to various and, at times, polar points of view on the way to solving problems. One of these extreme views is the transfer of natural resources and minerals to complete ownership by republics and regions. Incidentally, voices talking about "our own" diamonds, gold, coal and oil are sounding louder and louder in our republic. The scales of the spontaneous natural exchange between territories and of attempts to solve local problems by selling raw material resources—including abroad, are already expanding now. I must say that we do not support such an approach. It is necessary to think very seriously about the possible consequences of such pretensions.

Of course, the practice of using earned assets has given birth to quite a few difficult questions in our economy. The shift of the regions to the principles of self-management and self-financing, which make living conditions dependent on earned assets, has exactly been called upon to solve many of them.

[Patsiya] Please tell me in more detail what the new structure will be for managing the national economy in the RSFSR?

[Vlasov] If we are to talk about the main thing, then it will be directed toward developing economic management methods and toward strengthening the republic's economic independence.

During the first stage, we eliminated the intermediate middle management link—main administrations and trusts. The freeing of ministries and departments from operational administrative functions and the transfer of their rights to the local areas permitted the number of primary structural subunits in the central staff to be reduced by 37 percent. The number of workers in

RSFSR ministries and departments and republic associations was reduced by more than 40 percent.

At the level of autonomous republics, krais and oblasts, more than 900 management agencies were abolished.

A fundamentally new stage has now begun—the establishment of a modern general schema for managing the RSFSR national economy. Its start was marked by the abolition of several union ministries and departments, in particular, the USSR Gosagroprom. Their organizations and enterprises were transferred to the RSFSR. Four all-union construction ministries were also reorganized into Russian ones. Moreover, the production infrastructure of regional significance and several interbranch works will be transferred to the Russian Federation. As a result, according to preliminary estimates, the percentage of industry subordinate to the republic will grow to 27 percent.

Of course, these processes are, at times, occurring painfully. You see, the stereotypes of management from the center, bypassing the republic, have taken shape for years and it is not at all simple to break them.

Here is a concrete example. We raised the question of establishing an RSFSR Gossnab—and immediately we sensed resistance because 65 percent of all centralized supply volume falls to Russia. What would the union department busy itself with then?

However, we will consistently and persistently solve these questions. At the same time, work has begun to establish new organizational and economic structures for associations, concerns and consortia.

[Patsiya] On the whole, the shift of the oblasts, krais and autonomous republics in the Russian Federation to territorial cost accounting is the economic basis for self-determination and sovereignty. How will the democratization of the economy be reflected in the political processes in the republic and in the country?

[Vlasov] What will cost accounting give us? First, it will permit the establishment of a material base for the real sovereignty of the soviets of people's deputies in the use of natural, labor and financial resources and production and nonproduction fixed capital, in the matter of economic and cultural organizational development and in the development of the social area on the territory, that is, in everything that will permit the achievement of a real improvement in the life of Russian citizens.

Second, the strengthening of economic sovereignty will stimulate the process of improving the RSFSR's state structure which will finally permit the well-known erosion of the functions and prerogatives of republic authorities and its—if you wish—"unfinished nature" to be overcome.

Finally, we think that the shift to territorial cost accounting will create an economic basis for leveling the autonomy rights of the regions in Russia. It is necessary to keep in mind that the RSFSR is a unique federation of oblasts, krais and autonomous republics where the national composition

of the population is only one of the symbols of nation-state organization. It is not a republic of an indigenous Russian people. Moreover, our autonomous republics have been allotted broader rights than any kray or oblast—they are essentially autonomous formations.

The question of raising the legal status of the national autonomies has special interest for our republic. The functioning of two houses—the Soviet of the Republic and the Soviet of Nationalities—in the RSFSR Supreme Soviet will become a political “mirror” of these processes.

The new status of our autonomous formations: 16 republics, 5 oblasts and 10 okrugs, is now being developed. It must first of all provide an opportunity to transfer everything that is connected with their national traditions, culture and art and other specific national questions to the exclusive management of the autonomous formations.

After the September CPSU Central Committee Plenum, we worked on the establishment of autonomous national rayons. One of these rayons has already been established in Yakutiya. It is also planned to form them in Magadan Oblast and other krays and oblasts in the Far East and Siberia. By doing this, we will return to the beginning of the Thirties when national rayons and even village soviets were widespread. Later, however, came the time of unification, the time of rigid bureaucratic centralism....

Of course, the maximum care and concern are required when examining and solving all these questions. I do not know this from hearsay but from my personal experience—I have had occasion to work in the autonomous republics for 15 whole years.

A great deal must be thought about when considering the proposals to establish strengthened economic regions. The “vertical lines” of the administrative system are now more and more being dislodged by horizontal ties, including those within the republic. I would point out that these ties have taken shape in the regions over decades, moving beyond the limits of the formal administrative “boundaries” of an oblast, kray or autonomous republic.

Now, when the size of Russia's deputy body is growing significantly, we have considered the formation of regional commissions from the ranks of USSR and RSFSR people's deputies and of local soviets with the conferring of certain powers on these commissions. The idea is a constructive one—the more so since this process is already underway in real life.

[Patsiya] Does the republic's Council of Ministers sense support in the local areas?

[Vlasov] Yes! Recently, members of the government and workers from the staff of the RSFSR Council of Ministers visited many autonomous republics, krays, oblasts, and a number of cities. They met with the most varied population categories and studied the situation and the moods of the people. The work, which we have performed to raise economic independence and expand the sovereignty of the Russian Federation, is being greeted

with support everywhere. In my estimation, almost the most important thing here is the effect on the moral feelings of the Russians, the raising of their national self consciousness and patriotic feelings.

[Patsiya] Aleksandr Vladimirovich, an enormous amount of business documents pass through you, the leader of the Russian government. This is natural. It would be interesting to find out what the percentage of letters from workers is in them? What is the nature of their requests and appeals?

[Vlasov] As you understand, letters, which are addressed to the Council of Ministers, do not always fall on the desk of its chairman. It is practically impossible to read all of them, not to mention answering all of them. For example, more than 10,000 letters arrived last year. For us, each appeal, whether it was a personal or collective one, was a message from the depths of the popular masses, often an alarm signal and an indicator of a lack of attention toward the people on the part of the local authorities. At times, the old habit of believing in the “omnipotence” of the center is revealed here. In general, working with letters is for us a distinctive type of “service sociology.”

Now—concerning the nature of the requests and appeals. First of all, there is the housing question—the most acute and most “disruptive” one. In addition, people appeal to the government for help and support in literally all their everyday needs—from pensions to the purchasing of automobiles and the installation of apartment telephones. It is quite understandable that all of this is being considered in our plans.

I will cite figures which, perhaps, will be more eloquent than words. In 1990, the Russian Federation will direct approximately 87 percent of all the national income used in the republic to consumption and nonproduction construction as opposed to the 78.2 percent in the five-year plan. It is planned to direct 8.1 billion rubles to carrying out measures for improving the people's standard of living. The construction of housing with a total area of 80 million square meters, preschool establishments with more than 400,000 places, general educational schools with almost 755,000 places, and hospitals with 38,900 beds is also being planned. Trade turnover should grow by 22 billion rubles, or by 10 percent. One of our primary tasks is to improve the ecological situation in 40 large industrial rayons that are not doing very well in this regard.

However, the main thing is, of course, to take concrete steps based on the letters. This is a large and, at times, scrupulous work often connected with the overcoming of bureaucratism and red tape both in our departments and in the local areas.

One other thing. Recently, not only requests but deep reflections on Russia and the voices of people, who are not indifferent to its fate, are being heard more and more in many letters. The problems of expanding the republic's sovereign rights, of restoring monuments to its

history and culture and of preserving its unique nature are being sharply raised. I will not conceal the fact that letters and appeals, in which a clear-cut civic position and a patriotic concern for the state of affairs on our native land ring out, are especially dear to us.

I will cite the following example. As you know, the plan for the construction of an hydroelectric station on the Katuni River has been subjected to sharp public criticism. A stream of letters from indignant people has arrived at our place, in the government, at newspapers and magazines. The idea of holding an expanded session of the RSFSR Council of Ministers Presidium, in which scientists, writers, and representatives of different public

organizations and movements would participate, was born at one time. No more nor less than 44 people spoke during the meeting. As a result, a decision was made to return to an examination of the draft after several months when it would be completed and discussed with the population of the Gorno-Altay Autonomous Oblast.

[Patsiya] Our weekly has just begun its journey to the readers. What are your wishes for SOYUZ?

[Vlasov] I wish your SOYUZ to work completely to strengthen friendship and brotherhood and the spiritual bonds of the USSR peoples based on restructuring and the principles of renewed and humane socialism.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Deputy Minister Discusses APK Finances, Changes

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[Article by V.S. Semenov, USSR deputy finance minister: "The Budget and Finances of the Agroindustrial Complex"]

[Text] In spite of the great strain on the state budget, almost one-fourth of all its expenditures go to development of the agroindustrial complex. Kolkhozes, sovkhozes, and processing and other enterprises and organizations of the APK have been assured the conditions necessary for carrying out the decisions of the

March (1989) Plenum of the CPSU Central Committee and for creation of the new economic mechanism in the agricultural sector of the economy.

In determining the outlays to finance the APK in 1990, the USSR Ministry of Finance started with the projections for the 12th FYP pertaining to purchases of agricultural products, their processing, the volume of centralized capital investments, the rates for payments into the budget established when enterprises were converted to full cost accounting (khozaschet) and self-financing, and also the proposals of the councils of ministers of union republics. Accordingly, the commitment to agriculture and its processing and supporting branches was 231.4 billion rubles, which is 22 billion rubles more than in 1989. Moreover, the appropriation from the budget is 116.5 billion rubles, or 8 billion rubles more than in 1989 (Table 1) and 21 billion rubles more than in 1986.

Table 1 (in billions of rubles)

	1989 Plan	1990 Plan	1990/1989, in percentage
Appropriations from the budget	108.5	116.5	107.4
Breakdown:			
Centralized capital investment	14.0	13.3	95.0
Operating expenses	4.3	4.7	109.3
Reimbursement of the price difference related to purchases of agricultural products	55.1	61.9	112.3
Differentiated supplements to purchase prices	32.2	33.1	102.8
Road construction on kolkhozes	0.9	0.9	100.0
Major repairs of budget-financed institutions	0.6	0.6	100.0
Payment of costs to kolkhozes and sovkhozes to reimburse enterprises the cost of enlisting manpower to bring in the harvest and other outlays	1.2	1.7	141.6
Miscellaneous expenditures and experimental design projects	0.2	0.3	150.0

The appropriation to meet the needs of the agroindustrial complex exceed the projections of the 5-year plan by 10.4 billion rubles because the supplements to purchase prices of grain have been increased from 50 to 100 percent for exceeding the previous level of production, because of higher payments of the difference in prices for livestock and milk, and also because sovkhozes and kolkhozes were converted to full cost accounting and self-financing. Gross agricultural output will increase 1.6 percent over 1989, while budget appropriations will increase 7.4 percent. This higher rate of increase is creating additional difficulties for the country's finances and the circulation of money.

Differentiated supplements to purchase prices in the amount of 33.1 billion rubles, in accordance with the growth of gross agricultural output, have been envisaged in the budget expenditures for performance of the activity of sovkhozes and kolkhozes on the principles of full cost accounting and self-financing. These amounts were formed from budget appropriations envisaged earlier for supplements to purchase prices of low-profit kolkhozes and

sovkhozes, for payments for heavy young cattle, for subsidies for agricultural equipment and manufactured fertilizers, for financing capital investments and a group of interrelated peat operations, for maintenance of children's institutions, and for coverage of losses in the management of housing and residential services.

The differentiated supplements to purchase prices, taken together with the purchase prices, guarantee reimbursement of product production costs and expansion of output. Just like the supplements to purchase prices for farms operating at low profit and at a loss, they have played a definite role in strengthening the economic condition of kolkhozes and sovkhozes and in giving them greater motivation to increase production and product sales. But the establishment of unjustifiably high supplements to purchase prices for certain kolkhozes and sovkhozes has detracted from their motivation to specialize their production. Supplements to purchase prices of milk, for example, were set at 800 percent for certain farms in Kostroma Oblast, 765 percent in Mari ASSR, 500 percent in Amur Oblast, and 300 percent in Novgorod, Vladimir, Kalinin, Kaluga, and other oblasts.

This artificially hiked up the profitability of production of milk and other products. For instance, on kolkhozes and sovkhozes of Novgorod Oblast it reached 83 percent, and in Perm, Vologda, Kaluga, and Kostroma Oblasts—70 percent.

The discontinuation of subsidies on agricultural equipment and manufactured fertilizers has served as an incentive for more thrifty use of equipment and supplies. Many farms have sharply reduced their requests for agricultural equipment. But the establishment of differentiated supplements to purchase prices, as a rule for low-profit farms, has brought about a planned redistribution of resources among kolkhozes and sovkhozes and has upset the proportions that existed in the use of income for consumption and accumulation and plans for expansion of production on many farms, especially those with high profit.

Since 95 percent of the supplements have been established on the products of animal husbandry, the profitability of the production of potatoes and vegetables, and in some regions of the country even grain, has dropped off. Accordingly, supplements have been established to prices for high-quality varieties of grain crops. To compensate the additional outlays of the state, higher wholesale prices were set on mixed feeds, which equalized profitability of the production of products of animal husbandry and cropping in the country as a whole, but not in certain regions, and even less so from farm to farm. All of this has aggravated the problems of inaugurating cost accounting and self-financing on kolkhozes and sovkhozes. Voluntaristic methods of redistribution of resources among farms and also regions through prices and budget financing are making it more difficult to solve the problem of instituting new purchase prices for agricultural products.

The new purchase prices of the products of agriculture are to be established in accordance with the decisions of the March (1989) Plenum of the CPSU Central Committee. The appropriations envisaged in the budget for the agroindustrial complex make it possible to establish the new purchase prices without losses for agriculture and the state. At the same time, there will be a redistribution of resources: from those kolkhozes and sovkhozes which have not been using the production potential in place efficiently enough they will go to others that possess worse land, but have been managing it more effectively. Equalization of the profitability of production among regions and among farms will evidently require a step-by-step introduction of the new purchase prices by large-scale commodity production zones. This applies first of all to rent payments and subsidies to farms which do not possess their own resources to expand production and which are financed out of the appropriations to the agroindustrial complex envisaged in the budget.

The problem of rent payments arises in connection with the conversion of management of agricultural production to economic methods. At the same time, scientifically sound taxation of the income of kolkhozes and sovkhozes has to be worked out; it is to be introduced simultaneously with the Law on Taxes, which is being drafted. Here, we must, of course, take into account that rent payments will not equalize the profitability of industrial-type poultry farms and complexes for the production of products using mixed feeds from state resources.

A judicious approach is also required to the problem of the forms for compensation to agriculture of price increases resulting from the 1991 increase of wholesale prices in industry and of rate schedules. The state budget for 1990 envisages compensation to kolkhozes and sovkhozes of the additional costs resulting from the rise of wholesale prices of diesel fuel as of 1 January 1990. It is assumed that this increase will be taken into account in the new purchase prices.

Increasing purchase prices by the amount of the increase of wholesale prices and rate schedules creates the cost-accounting conditions necessary for farms which have good organization of production and work. At the same time, there is less opportunity to maneuver with financial resources, the need for which is arising in connection with the dependence of agricultural production on weather conditions. This is why centralized reserve funds have to be created by establishing rent payments, as envisaged by the decisions of the June (1987) Plenum of the CPSU Central Committee.

The practice of redistributing funds from farm to farm by direct confiscation of profit to compensate losses of low-profit sovkhozes and kolkhozes gives rise to dependence on the part of some and creates in others a lack of confidence in the effectiveness of the economic mechanism. That is why the creation of reserve funds from rent payments and budget appropriations would help to place on a solid economic footing the aid to farms which face unfavorable natural and economic conditions.

Certain urgent problems concerning the stimulation of agricultural production were worked out before the purchase prices were revised. Supplements to purchase prices were established for first-, second-, and third-grade raw cotton. The additional appropriations for the budget in this connection amount to 600 million rubles in 1989 and 1.3 billion in 1990, and the income of kolkhozes and sovkhozes will increase correspondingly. Appropriate sources need to be found to cover these expenditures. In order to increase purchases of high-quality grain and also oilseed crops, a procedure was introduced in 1989 to make settlement for these products in foreign exchange. It is important that kolkhozes and sovkhozes use foreign exchange to purchase abroad production lines for the processing of agricultural products and machines for introduction of new technologies in raising farm crops and to mechanize labor-intensive production processes.

But kolkhozes and sovkhozes are not yet prepared to use foreign exchange in this way. The opening of accounts to which the foreign exchange credited to kolkhozes and sovkhozes is deposited is taking money out of circulation. Apparently, the foreign exchange should be credited to off-balance accounts of kolkhozes and sovkhozes; as they build up or as the need arises, they would purchase the foreign exchange with the uncommitted resources envisaged for development of production. It must be taken into account that all of the farm's production costs are made in rubles from their own resources or bank credit. That is why they must reimburse production costs and credits received out of proceeds from selling

their products. The combination of crediting funds to off-balance accounts with the right to purchase foreign exchange will make it possible for kolkhozes and sovkhozes to put all their resources to work.

The raising of purchase prices of agricultural products when retail prices of the principal consumer goods remain stable is causing a growth of budget appropriations to reimburse the price difference in order to safeguard the cost-accounting activity of procurement organizations and processing enterprises. The appropriations to reimburse the price difference for purchases of agricultural products are shown in Table 2.

Table 2 (in billions of rubles)

	1988, Reported	1989, Plan	1990, Plan	1990/1989, in Percentage
Livestock and poultry	26.8	22.7	28.2	124.2
Milk	16.4	17.1	18.1	105.8
Potatoes and vegetables	2.0	2.4	2.4	100.0
Canned fruits and vegetables	1.3	1.4	1.5	107.1
Fish	2.6	2.8	3.1	110.7
Grain	6.3	7.5	7.3	97.3
Sugar beets and sugar	1.7	1.9	2.0	105.0
Potatoes used to make starch and alcohol	0.2	0.3	0.3	100.0
Other products	1.8	—	—	—
Differentiated supplements to purchase prices	25.3	32.2	33.1	102.8
Total for food	84.6	88.3	96.0	108.7
Cotton, wool, and rawhides	3.3	3.9	4.6	118.0
Other	2.0	—	—	—
Total	89.9	92.2	101.6	110.2

The present procedure for reimbursing the difference between purchase prices and calculated (retail) prices does not motivate procurement organizations and processing enterprises to make the most efficient use of the available raw materials. The reason is that reimbursement of the price difference pertains to livestock and milk rather than to the end product. The discounts of wholesale prices have provoked many disputes. USSR Goskomtsen and USSR Minfin are working out new wholesale prices and a procedure for reimbursing the difference between wholesale and retail prices of the end product, i.e., of the meat, oil, cottage cheese, cheese, and so on. This procedure for subsidizing production of a product will, of course, be retained until retail prices are revised. At the same time, reimbursement of the price difference for the end product will undoubtedly stimulate a reduction in material costs and labor inputs, since the standard profitability assumed in wholesale prices will create conditions for production of products in accordance with the requests of organizations in the trade sector.

Plans are to introduce negotiated prices on potatoes, vegetables, and products made by processing them. Accordingly, the budget now envisages appropriations to reimburse consumers the difference in prices for these

products. Payments should be made to organizations in the trade sector and food service enterprises at the standard rates of the additional payments, including their planned accumulation. Budget subsidies should be used to regulate retail prices of potatoes, vegetables, and canned fruits and vegetables as well.

It should especially be emphasized that even in 1989 certain entities for management of the agroindustrial complex and kolkhozes and sovkhozes began to apply negotiated prices when they concluded contracts for product deliveries. Since in 1990 canned fruits and vegetables will be produced from raw materials purchased in 1989, the wholesale prices in effect for them are being applied in concluding contracts for their delivery. Should there be an improper use of prices, the income realized unjustifiably must be confiscated into the budget.

At the same time, ispolkoms of local soviets of people's deputies must establish effective monitoring over the levels of maximum retail prices for these products. The appropriations allocated make it possible to maintain the level of retail prices of potatoes, vegetables, and canned fruits and vegetables at the previous level. At the

same time, of course, higher prices can be established for better products. The fund for regulating retail prices that has been created in trade organizations provides a mechanism for revising prices as a function of product quality. Unfortunately, this method has not been used sufficiently because of the fear of raising prices and the possibility of unusually high earnings for personnel in the trade sector.

The mechanism for reimbursing the difference in prices for deliveries of products of animal husbandry is also undergoing radical change. In 1990, the budgets of union republics envisage appropriations to reimburse the difference between purchase prices and calculated prices, more accurately retail prices, only for the products of animal husbandry consumed within the republic. Subsidies for products delivered to the all-union fund are reimbursed from the union budget.

The transition of republics and oblasts to cost accounting and self-financing necessitates a change in the procedure for compensating the price difference related to the purchase and sale of agricultural products. It seems that the transition should be made from reimbursing the difference between purchase and calculated (wholesale) prices to processing enterprises on the basis of bank credits to subsidies from the budget. To that end, budget appropriations to reimburse price differences may be allocated directly to local authorities for management of the agroindustrial complex.

Larger appropriations are envisaged for maintaining the veterinary network, for measures to combat diseases of animals and pests of agricultural crops, to maintain quarantine inspectorates, for land improvements and other outlays for state measures related both to human health and also to the environmental situation in the country (Table 3).

**Table 3 (in millions of rubles)**

	1988, Report	1989, Plan	1990, Plan	1990/1989, in Percentage
Measures to combat diseases of animals and to maintain veterinary treatment centers	642	662	686	103.6
Measures to combat pests of agricultural crops	234	242	251	103.7
Land improvement	117	121	125	103.3
Hail control	42	44	45	102.3
Recultivation of land	25	26	27	103.8
Radical improvement of land	1,407*	793	853	107.6
Maintenance of water management organizations	1,404	1,430	1,488	104.1
Resettlement	9	8	41	852.0
Maintaining inspectorates of Minrybkhov and Goskompriroda	110	205	253	123.4
Reforestation	654	737	825	111.9
Conservation of reindeer pastures	11	12	12	100.0
Bonuses and other expenditures	87	48	81	168.7
Total	4,742	4,328	4,687	108.3

\* The costs of using peat are included in the differentiated supplements to purchase prices.

Measures to combat animal diseases, including preventive treatment and inoculations, performance of diagnostic studies, and preventive and therapeutic treatment against parasitic diseases, and also measures to combat insects that are carriers of infection are financed from budget appropriations for "operating costs." The performance of measures to combat weeds containing narcotic substances and to combat the locust are of great importance for the state, kolkhozes, and sovkhozes.

Because of the need to increase production on improved land, appropriations to finance the irrigation and drainage network have been retained in the budget. These appropriations include 1.353 billion rubles for

operation of irrigation and drainage systems, 23 million rubles to operate water pipelines, 50 million rubles to maintain reservoirs, and 26 million rubles for work on conservation of small rivers. In addition, 300 million rubles have been envisaged for repair of the irrigation and drainage network and 850 million rubles for measures to improve soil fertility (application of lime and gypsum). These outlays are the basis for farming on irrigated and drained land, which provide a third of the entire output of cropping. The task is to increase the yield from drained and irrigated land and to make kolkhozes and sovkhozes more accountable for withdrawing land from agricultural use. This withdrawal of land has unfortunately taken on menacing proportions, so that in many cases appropriations allocated for the activation of new land for all practical purposes merely offset the consequences of this adverse process.

The state budget reflects outlays for environmental protection, which from all sources of financing ("own" resources of enterprises and organizations and budget appropriations) amount to 12.7 billion rubles. In addition to funds committed to capital investments, the appropriations envisaged for forest conservation and reproduction amount to 800 million rubles, and there are also 400 million rubles to maintain newly created entities of USSR Goskompiroda and forest reserves.

The operation of enterprises and organizations in the agroindustrial complex on the basis of self-financing and self-support presupposes that centralized capital investments be retained for construction of new enterprises and major water-management projects. Capital investments in the agroindustrial complex from all sources of financing have been envisaged at the level of the 5-year plan—63.6 billion rubles, or 10 percent more than in 1989. Of that amount, 15.7 billion rubles are for centralized capital investments, and 13.3 billion rubles are being allocated from the budget.

The sources of financing for capital investments in the APK during 1990 are as follows:

	Billions of Rubles	Percentage of Total, in Percentage
"Own" resources	41.9	65.9
Bank credit	6.8	10.7
Budget appropriations	13.3	20.9
Untraditional sources	0.7	1.1
Appropriations for road construction on kolkhozes	0.9	1.4
Total	63.6	100.0

Capital investments in the APK have been envisaged at the level of the 5-year plan. The volume of capital investments for the first 4 years of the 12th FYP exceeded the projections of the 5-year plan by 10 billion rubles.

In 1990, budget appropriations for centralized capital investments are being reduced by 700 million rubles for 1989, or 5 percent. But it should be taken into account that for the national economy as a whole they have been reduced by 23.4 billion rubles, or one-third.

So-called nontraditional sources have been envisaged for financing capital investments in 1990: that is, the mobilization of resources by reducing unfinished construction and the commitment of resources from the liquidation of unprofitable production operations. In addition, appropriations for construction of major water management projects envisaged by the national economic plan have been reduced, such as the Volga-Chogray Canal with an estimated cost of 687 million rubles and the Spassk Irrigation System in Kuybyshev Oblast with an estimated cost of 127 million rubles, and a number of others.

The state budget figures as an important factor for development of irrigation agriculture. The commitment

to construction of water management facilities will be 8.2 billion rubles, which is 400,000 rubles more than in 1989. Centralized capital investments have been envisaged for USSR Minvodkhov to build a complex of water management installations designed to improve the environment and the public health situation in the area of the Aral Sea, the Volga-Don Canal, and other national economic projects.

As a measure aimed at financial recovery and because of the need to oppose the unreasonable use of resources for land improvement, plans call for allocating 2 billion rubles less than envisaged by the targets of the 5-year plan to perform irrigation and drainage work in 1990 and to put irrigated and drained land into agricultural production. Since the total size of capital investments in the APK has not been reduced, the funds made available should be committed to the construction of roads and other projects and to putting land into agricultural production depending on the decision of local authorities for management of the APK.

There will be a very fundamental change in the procedure for forming capital investments for land improvement. The volume of investments for these purposes is now determined by the bodies for management of the APK of the union republics. They are also the clients for construction of water management facilities. All of this creates conditions for more efficient use of supplies, equipment, and financial resources.

The development of agricultural production is directly bound up with the processing industry. The neglect of this branch is reflected both in the revenues of the budget and also in the country's entire economy. Substandard products and large losses arouse people's justified condemnation. Accordingly, the efforts of agricultural, planning, and banking authorities must be aimed at selecting those construction projects which are in turn necessary for carrying out the Food Program.

The present procedure for planning and financing capital investments does not guarantee the optimum use of the funds allocated. The 1988 plan for state capital investments was fulfilled at a level of 102 percent, whereas activation of fixed capital was 96 percent. In 1989, this gap widened, especially with respect to land improvement and fishery.

The construction of processing enterprises is going quite unsatisfactorily. The meat combine in Uyar has been under construction since 1972 and the one in Melitopol since 1978, the Crimean Canning Plant since 1975, the Adlerskiy Municipal Flour Mill since 1979, and the meat combine in Kalachinsk in Omsk Oblast was supposed to be activated in 1977. After 16 years of construction, an enterprise with an estimated cost of 30.3 million rubles and a capacity of 100 tons of meat per shift still has not been activated.

Because the standard construction time has been exceeded, the volume of unfinished construction in the APK rose 3.5 billion rubles in 1988 and amounted to

34.8 billion rubles, or 52.5 percent of the limit-allowance of state capital investments. In the APK, 3,800 projects have been mothballed, their average technical readiness was 36.9 percent. At the same time, major new projects were begun in 1989 which had not been sufficiently provided with financing for activation within the standard time allowed.

These cases indicate both shortcomings in the present mechanism for planning and financing capital investments and also the slackness of monitoring of the investment process by institutions of Agroprombank and financial authorities. The transition from budget financing of new construction starts to credit financing, except for projects that have nationwide importance, would evidently help to intensify the monitoring of investment projects and free the budget of these functions. The repayment of credits to the bank by the work collective that has undertaken a new project would put new meaning into the question of collective ownership of socialist enterprises.

The transition of enterprises and organizations in the agroindustrial complex to full cost accounting and self-financing presupposes that outlays for expanded reproduction be made from their own resources. Out of the 76 billion rubles of profit of kolkhozes and sovkhozes and processing enterprises of the APK, 10.2 billion rubles will be paid into the budget, or 12.2 percent of profit. Moreover, kolkhozes and sovkhozes will make only 1 billion rubles of payments from profit into the budget, which amounts to 2 percent of profit.

There have been many reproaches because of the large deductions into the budget from the profit of processing enterprises, which are mainly the consequence of underestimation of this important sphere of the agroindustrial complex. The planning of limit-allowances of capital investments for this branch that are clearly too low has, of course, resulted in a growth of the size of uncommitted profit that has gone into the budget. What is more, superior organizations take from processing enterprises 10 percent (in 1989, it was 5 percent) of profit to create reserve funds and 5-6 percent to form the centralized funds of the ministry and to finance the ministry apparatus. Of course, enterprises equate all these contributions with payments into the budget.

For example, according to the plan for 1989 for enterprises of Mosgoragroprom the charge on assets was 6.1 percent, the charge on labor resources 4.2 percent, deductions from profit 51.5 percent (in all, 61.8 percent of profit), and payments to the ministry were set at 8 percent. This is in the main administration as a whole, whereas from enterprise to enterprise it ranged from 9.2 percent (experimental nonalcoholic beverage plant) to 88.2 percent (experimental champagne plant) and even 89.8 percent (sugar refinery). If the profit plan is not fulfilled, the budget does, of course, carry a large burden, but this is also reflected in the financial condition of enterprises.

In 1989, 1.5 billion rubles were allocated from the union budget to sugar mills to repay bank loans to cover declining income. Payments into the budget have been envisaged for processing enterprises in 1990 in the amount of 31.2 percent, as against 35.1 percent in 1989 and 50.5 percent in 1988. This sharp reduction has been outlined because a reserve fund is to be created in the amount of 10 percent of profit (1.1 billion rubles), to repay bank loans (500 million rubles) issued to cover the rise in the standard proportion of working capital, and to increase the share of profit left for reconstruction and modernization of production (900 million rubles).

The creation of reserve funds should evidently be used not only to extend financial aid to enterprises not fulfilling the plan for accumulation because of failures to make full deliveries of agricultural products, but mainly for reconstruction and expansion of production. The financial aid should be extended on a repayable basis. Contractual relations of processing enterprises with kolkhozes and sovkhozes must envisage mutual responsibility. All these measures make it possible to remedy the financial situation of processing enterprises, which, it must be admitted, will at the same time be strained if the projected volume of purchases of agricultural products is not fulfilled.

The budget also envisages measures to improve the mechanism for economic activity in the fishing industry. Payments into the budget from profit have been set at 50 percent instead of the 65 percent in 1989. Moreover, appropriations from the budget have been envisaged in the amount of 100 million rubles for construction of cultural and everyday service facilities and also port installations.

Cost accounting in the fishing industry still has not affected the main component of the branch—fishing vessels. Accordingly, it is to some degree hypothetical in nature. Still, use of profit in associations for capital investments, including the acquisition of ships, is making it possible to make work collectives more accountable for efficiency of operation.

At this point, work collectives are planning profit themselves. Unfortunately, however, they quite often set the plan too low. In the 1st half of 1989, enterprises of the APK overfulfilled it by 1.8 billion rubles, or 17.4 percent. Profit grew compared to the same period of last year by 1.4 billion rubles, or 10.4 percent. Accordingly, the amount of profit envisaged in the initial data for conversion of enterprises to cost accounting and self-financing is being taken as the basis in summary planning. Setting the profit plan too low destabilizes the financial situation of regions. The transition to tax methods of forming the budget will unquestionably strengthen its revenue side and will make enterprises more accountable for the efficiency with which they conduct their operations. The problem of taxes is closely interwoven with the problem of prices—wholesale prices, purchase prices, and retail prices. The imperfect nature of the system for forming prices of agricultural

and industrial products has resulted in a deformation of the state budget and large counterflows of money. While enterprises and organizations of the APK receive a subsidy amounting to 100 billion, they make payments into the budget in the amount of 10 billion rubles. There is no doubt at all that delay in a comprehensive solution of the price problem is fraught with the most serious consequences not only for the budget, but indeed for the country's entire economy.

In accordance with the decisions of the March (1989) Plenum of the CPSU Central Committee, measures are being drafted to remedy the financial situation of kolkhozes and sovkhozes. The committee of the USSR Supreme Soviet for the agroindustrial complex has submitted a proposal to write off 71 billion rubles of the debt of kolkhozes and sovkhozes under bank loans which has been extended and which they are unable to repay. It should be noted that 33 billion rubles of this debt formed after the May (1982) Plenum of the CPSU Central Committee, when the necessary conditions were created for the profitable operation of all kolkhozes and sovkhozes. USSR Minfin and USSR Agroprombank have made a detailed study of their financial situation and established that because of the unobjective approach to the deferment of debt under bank loans, a large amount of debt of highly profitable farms was included. Some of them are not using bank loans at all at the present time. If such farms repaid the deferred indebtedness ahead of schedule, this would naturally help to increase credit resources to issue loans to low-profit farms. Higher rates of interest on these credits should be applied for that purpose. Financial authorities must take direct part in such a crucial effort.

USSR Minfin and USSR Agroprombank have been earnestly concerned with the problems of remedying the financial condition of kolkhozes and sovkhozes. But it has to be taken into account that budget appropriations which the state does not possess at the present time are needed to write off indebtedness under bank loans. Agroprombank's own resources amount to only 1 percent of outstanding credit. That is why the authorities of the APK, with involvement of banking and financial authorities, need to draft measures aimed at increasing the efficiency of the activity of lagging farms. Here, unpromising farms should evidently be broken up and their property turned over to those that know how to put it to better use.

In order to create favorable economic conditions for the organization and operation of leasing collectives, peasant farms, and cooperatives, as well as subsidiary agricultural enterprises and institutions created with the land and property of kolkhozes, sovkhozes, and other state agricultural enterprises and enterprises for the primary processing of agricultural raw materials, the USSR Law on the USSR State Budget for 1990 has envisaged that the indebtedness of these kolkhozes, sovkhozes, and enterprises under deferred long-term and short-term loans is to be written off. This indebtedness is being written off by increasing the state domestic debt.

Financial authorities and institutions of the agroindustrial complex have a large amount of work to do to organize the write-off of this indebtedness. The deferred indebtedness is being written off both altogether for farms and enterprises converted to leasing relations and also partially, i.e., when branches, shops, livestock farms, and brigades make the transition to leasing and also when cooperatives and individual peasant farms are organized.

Here, the transition to leasing must conform to the procedure established in the Bases of Legislation of the USSR and Union Republics on Leasing, and if the leasing contracts are concluded before 1 January 1990—by the Ukase of the Presidium of the USSR Supreme Soviet entitled "On Leasing and Leasing Relations in the USSR" and the regulation approved by the USSR Council of Ministers on 7 April 1989 and entitled "On Economic and Organizational Foundations of Leasing Relations in the USSR." The debt is written off when leasing contracts are concluded for a period of at least 5 years in order to prevent abuses on the question of leasing relations and the write-off of indebtedness under bank loans. If the lease is dissolved before the end of that period, the farm is once again made liable for the debt that was written off.

In the work on these problems, the write-off of the debt must occur to the extent that land and property of the enterprise is turned over to the lessee. Only indebtedness deferred by decision of the USSR Government is subject to write-off. Here, it should be borne in mind that the indebtedness of enterprises in which leasing relations are being introduced partially and also when cooperatives are being created on the basis of certain subdivisions, the indebtedness on deferred loans is written off to the extent that corresponds to the relative share of the gross output of agriculture in the total volume of gross sales of the farm's products. When the land and property of kolkhozes and sovkhozes are turned over to peasant farms, deferred indebtedness under bank loans is written off for the farm in proportion to the quantity of land leased. For enterprises in primary processing of agricultural products, this share is determined on the basis of the volume of marketed output and the value of services rendered.

Deferred indebtedness of farms being turned over to enterprises and associations for them to use the facilities to organize subsidiary agricultural operations is to be written off only in those cases when the decisions on their transfer does not envisage reassignment of that debt to the respective enterprises and institutions.

The decision to write off debt under bank loans is made by rayispolkoms of soviets of people's deputies and is approved by oblast soviets, and in autonomous and union republics not divided into oblasts—by councils of ministers. The proportion of debt to be written off is determined by a commission consisting of the top officials of rayon, financial, banking, and agroindustrial authorities. Material on the writing off of debt is submitted to the relevant finance ministry of the union

republic and USSR Minfin. Summary reports indicate the number of enterprises being leased and the sum of debt written off, with separate indication of enterprises which are being partially leased.

Financial authorities must take a most serious approach to this large and crucial effort with a view to creating favorable conditions for the introduction of leasing relations, but at the same time not allowing leasing as a formality, strictly guided by the regulations in effect. In many cases, leasing collectives have for all practical purposes made the conversion only to the check form of settlement; they have not been assigned land, installations, machines, or equipment. However, the transition to leasing signifies above all full-fledged disposition of the product produced and the income realized.

The allocation of sizable appropriations to develop the agroindustrial complex is creating the conditions necessary for increasing the production of food and for guaranteeing the preservation of the product. Much depends on implementing the decisions of the March (1989) Plenum of the CPSU Central Committee. At the local level and also in the supervisory bodies of the agroindustrial complex, there is still a tendency toward administrative management of agriculture, toward imposing unrealistic targets on kolkhozes and sovkhozes for production and product purchases, toward building up pressure on the banks to issue loans whose repayment has not been assured or for deferment of indebtedness under loans. As a consequence, the economic and financial condition of many kolkhozes and sovkhozes is improving slowly, and financial and physical resources are not being used efficiently enough.

The restructuring of economic life as a whole and the strengthening of the impact of financial and credit levers toward eliminating unproductive expenditures and costs can yield a perceptible result only if the material prosperity of kolkhoz members, workers and managers of kolkhozes, sovkhozes, and agroindustrial complexes depends on the end results of activity of the farms and processing enterprises. The 1990 budget, and also the package of laws adopted by the USSR Supreme Soviet, is creating the necessary conditions for efficient economic activity and for remedying the country's financial condition.

Financial authorities have a crucial job to do in financing in good time all measures aimed at development of agricultural production and at increasing the accountability of collectives for the end results of their activity. Inspections and audits of the financial and economic activity of agricultural enterprises must be aimed at discovering internal potential and the justifiability of payments to be made into the budget, and the established penalties should be applied. Here, there should be no departures from the legislation in effect that regulates the economic activity of enterprises and relations with the budget.

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## Peasant Congress Seeks To Represent Group Interests

### Congress Opens

904B0139A Moscow SOVETSKAYA ROSSIYA  
in Russian Second Edition 23 Jan 90 p 2

[Article by V. Mikhaylov, Moscow: "The Russian Peasant Congress"]

[Text] Yesterday the Founding Congress of the Association of Peasant Farms and Agricultural Cooperatives of Russia (AKKOR) began proceedings in Moscow in the movie-concert building of the "Orlenok" Hotel. The congress was attended by more than 300 delegates from 57 regions of the Russian Federation. A trial issue of the journal FERMER was published for the congress.

A.M. Yemelyanov, deputy chairman of the Committee of the USSR Supreme Soviet for Agricultural Affairs and Food, who is chairman of the organizing committee, said in his speech that the idea of organizing the congress, which is a reflection of the processes of perestroika, came from below.

The ideas that have been proposed and the principles governing the formation and activity of AKKOR were set forth by Prof V.F. Bashmachnikov, doctor of economic sciences. Both speakers called attention to a fundamental point: creation of this association has nothing at all to do with the question of the supposed formation of some "peasant party."

A.F. Veprev, chairman of the Committee of the USSR Supreme Soviet for Agricultural Affairs and Food, and F.P. Senko, deputy head of the Agricultural Department of the CPSU Central Committee, took part in the proceedings on the 1st day.

### Variety of Opinions Noted

904B0139B Moscow LITERATURNAYA GAZETA  
in Russian No 5, 31 Jan 90 p 1

[Article by Kapitolina Kozhevnikova: "There Is a Peasant in Russia"]

[Text] How many disputes and doubts there were over whether people could be found in Russian villages who would like to take land and work on it independently and freely; many people said: there are no such people, there is nothing to fight about.

And now a large congress to which many oblasts and krais of RSFSR have sent their representatives has been taking place for 3 days in Moscow. Lessees, private farmers, and personnel of agricultural cooperatives. I have attended so-called rallies of kolkhoz members many times. These were in fact rallies. People came together, they spoke what had been written for them in the raykoms, and they went away—and they left no trace in either minds or hearts.

How different this authentic peasant congress was from what we have had occasion to observe earlier! Fervent speeches, disputes, sincerity, a lively discussion about land, about the rights of those who had decided to work neither in a kolkhoz nor a sovkhoz, but for themselves. It was evident that for the present only bold people out of the ordinary run, people who can stand on their own feet, are taking this up.

F. Timoshenko, representative of Krasnodar Kray, read from a message sent by the Congress of the Kuban Alliance of Peasant Farms and Agricultural Cooperatives these remarkable words: "We are those who they said did not exist...." These words, it seemed to me, were truly an inspiration to the participants in the peasant forum, opened up a perspective to it and lighted the way. And the way ahead will not be easy. Soon the new Law on the Land will be adopted, establishing diversity in agriculture—small-scale agriculture can develop in addition to the large-scale sector.

But still the atmosphere is not favorable, there is a strong mechanism to hold it back, there is a lively fear instilled over many decades: Are we not giving up the land to a new kulak? The newly emerged private farmers voiced this complaint at length from the speaker's platform. No one is paying attention to their troubles; they are not being given land and machines, every obstacle is being placed in their way so that the "troublemakers do not corrupt honest kolkhoz members." So much for your diversity in agriculture!

The unsophisticated speech by Ivan Vasilyevich Khodakov, who has been running his own farm for 2 years now in an out-of-the-way little village in Selizharovskiy Rayon of Kalinin Oblast, touched everyone very much. "There are five of us: my wife and I and three daughters—not all of them grown up as yet. We tend 20 dairy cows. The grain is brought once a week. The pump broke down, I had to go to the chairman of the oblispolkom.... No one here wants us. It is terrible for us here in this out-of-the-way place—28 persons in 4 villages. There is a lot of abandoned land around, and no one to work it...."

V.A. Tikhonov and A.M. Yemelyanov, members of VASKhNIL and people's deputies of the USSR, A.A. Nikonov, president of VASKhNIL, Yuriy Chernichenko, journalist, Metropolitan Pitirim, and the writer Oleg Poptsov—all had something to say at this unusual congress.

N.I. Ryzhkov, chairman of the USSR Council of Ministers, received a group of peasant-delegates, ordered government agencies to help this new effort and to remove unjustified obstacles.

The Bylaws of the Association of Peasant Farms and Agricultural Cooperatives were adopted. So, the AKKOR has been created. A.M. Yemelyanov, member of VASKhNIL and people's deputy of the USSR, was elected president. And there turn out to be quite a few of us who they said did not exist....

### Participants' Remarks Cited

904B0139C Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 5, 31 Jan 90 pp 1-2

[Excerpts from the transcript of the meeting of N.I. Ryzhkov, chairman of the USSR Council of Ministers, with a group of representatives of peasant farms, lessees, and agricultural cooperators]

[Text]

**A. Yemelyanov, president of the Association of Peasant Farms and Cooperatives, member of the USSR Supreme Soviet, and member of VASKhNIL:** Our founding congress has just come to an end. The association's governing bodies have been created, and a program and strategy have been worked out. The creation of private farms and cooperatives is having to start virtually from scratch. The main thing here is to guarantee them economic conditions on a par with socialized farms, to fit them organically into the country's agroindustrial complex, and to do everything to promote evolution of the peasant way of life and work.

Today, private farmers face a number of problems. First of all, the mechanism for obtaining land has not been worked out, and there are quite a few problems with material and technical supply. Particular attention should be paid to the question of purchase prices for the agricultural products which the private farmers sell.

**V. Ushakov, first secretary of the Karymskiy Rayon Party Committee in Chita Oblast:** The kolkhozes and sovkhozes of our rayon are today essentially cooperative enterprises. That is why certain experience of working under the new economic conditions has been gained. What does it indicate? During the first 5 years, private farmers necessarily have to be given a favorable regime, that is, they must not be "choked" with taxes. Some thought should also be given to straightening out the structure for management of agricultural enterprises at the level of the administrative rayon—it should be simplified, and unnecessary levels eliminated.

Work is now being done on the legislative bill concerning the land. I am convinced that the issue of the land is not the only one that should be raised. Thought should also be given to transferring to the private farmer forestland and bodies of water. Then we will have a real and thrifty master of the land!

**M. Dzhlaukhyan, lessee (Rostov Oblast):** I fatten young beef, and I am raising melons. But here is what is happening. I deliver my products to the sovkhoz at one price, and it sells them at a far higher price. In short, it is clipping coupons. In such a situation, can we speak about equal economic conditions?

**A. Yezhikov, private farmer (Yaroslavl Oblast):** I have been a private farmer since last year. I run a sheep farm with 100 sheep. I had never done this before—I worked in the oil fields in Western Siberia.... I want to say from my own experience that unless the private farm fits into

the system of state relations, that is, unless it fulfills the state order in the same way as kolkhozes and sovkhozes, nothing will come of it. If strong private farms are to be created, it is an indispensable condition that they be placed on an economic and legal foundation.

**O. Kharitonov, private farmer (Leningrad Oblast):** There are quite a few people who want to be private farmers. But at present these processes are being held up at the local level. The land they are giving out is the most inconvenient. For example, I have to run a power line 10 km. The sovkhoz did not want to build this project, but they expect us to do it. Why don't they allocate good land? That would be the approach based on the interest of the state, a good return would be guaranteed.

**A. Frolov, lessee (Moscow Oblast):** To run even a small farm, one must have machinery. But buying equipment is the whole problem. Where is our DT-14 tractor? It is the best tractor with respect to economic indicators. Thought should be given to how to get them to the lessees more quickly. And more thought should be given to creating an agricultural service department, rental stations where it would be possible to get a crane, a tractor, a bulldozer....

**I. Khodakov, lessee (Kalinin Oblast):** The 4 villages where I live have 28 inhabitants. Only two of us are able-bodied. We are not always able to buy bread, matches, and salt for ourselves. The children walk 6 km to school. The conditions are extremely difficult, yet this is not the end of the world. It is only 273 km from Red Square to my village.

**A. Chistov, private farmer (Rostov Oblast):** Last year, I produced 11 tons of pork, even though I started out literally on barren ground. What is more, with my own money I have built a livestock-raising operation, acquired an old tractor and a truck. Why does there not seem to be support for the private farmer anywhere?

**S. Petrov, lessee (Yakut ASSR):** The socialized farm is difficult to maintain in the regions of the North. The plots of land are small, and they are widely scattered. But it should not be forgotten that in the North a third of the peasants pursue traditional gainful activities. It would be good for the bills being examined concerning the land and property to reflect the problems related to development of these pursuits. This has not been done so far.

**A. Osipov, lessee (Kalinin Oblast):** I would like to speak about the rebirth of peasant farms. I previously lived in Moscow, and now I have moved to the country. What have I encountered? For 7 months I waited around for the contract to be concluded. You try to settle something with the kolkhoz chairman, but from the outset you constantly get a hostile reception, and a real struggle is beginning. It is difficult to expect any additional food from this kind of "policy."

**V. Tarasov, farmer (Stavropol Kray):** In our kray, everything seems to be permitted, but there is no help. And you cannot accomplish anything without it. Sometimes

they simply take the ground out from under your feet. I was starting out on my own—I did not borrow a kopeck. I asked for dairy cows, they could not sell them to me, I asked for land, there was no land. They did not allocate a kilogram of feed. Those are the conditions under which I had to exist. Where to pasture my cows? This is a protected zone, there is pastureland nearby, but they have built weekend cottages there. Where are you going to get meat from? No one in the ispolkom or the party raykom wants to help. My opinion is that there needs to be organic linkage of the activity of leasing collectives, peasant farms, and agricultural cooperatives with the interests of kolkhozes and sovkhozes.

**V. Konoplyannikov, farmer (Saratov Oblast):** I have two tractors, a vehicle, and a livestock operation of my own. Here is what disturbs me. Certain officials exert constant pressure or arouse hostility toward the future farmers in connection with the formation of peasant farms. The question is this: Even if a good law is passed, it will be difficult for it to be implemented. People have to be taught respect for those who produce food by their own hard labor.

**V. Sosnin, manager of an agricultural cooperative (Perm Oblast):** I did party work for 17 years, and before that I was a kolkhoz chairman. Now here I am working in a cooperative. Last year, we produced 23 tons of meat and rebuilt an old vegetable storage facility. At first, relations with the local population were strained. Once people saw the quality and the results of our labor with their own eyes, the situation changed.

We are leasing land, bull calves, and machinery, and we have purchased the feed ourselves. But cooperation is very necessary today. Without cooperative relations we cannot achieve full economic freedom.

**V. Chumak, manager of an agricultural cooperative (Penza Oblast):** The activity of USSR Minfin and its local authorities needs to be examined most carefully. They literally do not allow a step to be taken, they have surrounded everything with prescribed procedures. And they contain outright bans on everything. It is difficult to carry on economic activity this way. I propose that the legal and economic mechanism for the transfer of land being leased be worked out straightforwardly. This should be done both for kolkhozes and sovkhozes and also for the peasant farms.

**F. Timoshenko, manager of an agricultural cooperative (Krasnodar Kray):** So far the concept of the "status of the private farmer" does not exist either in the country or in the RSFSR. I myself had to register as a cooperative only because I needed some official cover. But as soon as they hear the word "cooperative," they immediately say: "Get out of here, I will not even talk to you." The word "cooperative" is associated in Moscow with the Riga Market, but where I live with all kinds of receivers of stolen goods....

Here is another problem I would like to mention. In the Kuban, for example, they are orienting all the lessees, the

peasant farms, toward the exclusive production of animal products. But why? We could grow vegetables and fruit. After all, the conditions are favorable. But we are prohibited—told we can't. It is simply some kind of paradox.

### AKKOR Congress Proceedings

904B0139D Moscow SELSKAYA ZHIZN in Russian  
25 Jan 90 p 2

[Article by V. Virkunen: "The Right to Land and a Will: Notes From the Russian Peasant Congress"]

[Text] On Wednesday, 24 January, the Congress of the Association of Peasant Farms and Cooperatives of Russia (AKKOR), which brought together more than 250 representatives of autonomous republics, krays, oblasts, and rayons of RSFSR, completed its work. The delegates elected a council and auditing commission, and they adopted the association's bylaws. A.M. Yemelyanov, member of the USSR Supreme Soviet and member of VASKhNIL, was elected president of the Association of Peasant Farms and Cooperatives of Russia.

Delegates of the peasants of the union republics also took part in the congress as guests. In the half year that has passed since organization of the peasant conference, peasant associations have been created in more than 30 regions of RSFSR.

The movement has begun toward authentic creation of new economic forms represented by private peasant livestock farms, cooperatives, and independent leasing collectives. But even though the March (1989) Plenum of the CPSU Central Committee proclaimed a course aimed at diversity of economic forms, very little has been done in that direction so far. The administrative-command system is stubbornly rejecting the peasant farm as a foreign body incompatible with the issuing of orders, suppression of initiative, and rule by the powers that be. And the main objective of creating AKKOR, as was noted at the congress, consisted of injecting economically normal structures into the sick rural economy and thereby gradually healing the entire economic organism.

The peasant congress formed its own body that is capable of withstanding the pressure of the bureaucrats. It is called upon to insist on the farmer's right to land and to a will, to help the evolution of the peasant way of life and work. A man must have the right to obtain land and the necessary resources without hindrance if that is what he wants.

The speeches of the delegates noted that a one-dimensional model of a bureaucratic chain of command—the kolkhoz-sovkhoz sector—has been created in our time in the socialist context. The term "kolkhoz" has been castrated by removal of its cooperative essence. The result is a governmentalized agricultural production in which the peasant is completely alienated from the land.

The individual graingrower without land simply became a day laborer, a hired farmworker, who inevitably flees

rural life, which has no future. And land without a master, without a graingrower, deteriorates, loses its fertility. Over the last 30 years, 40 million hectares of farmland have been lost because they were taken out of cultivation. Every year the country has lost an average of 1.3 million hectares! And no one has suffered any loss thereby. It seems strange, but it is a fact, that land—the mother of all wealth—has in our nationwide state ceased to belong to anyone.

The indissoluble unity of man and the land must be reestablished. It represents the permanent basis of the peasant way of life and is an integral part of general human values. That is why the peasant alone must have the right to choose the form of economic activity on the land. The delegates to the congress emphasized that the vote for the peasant, for the way he is to live, should not be taken in various institutions, officialdom, and offices. But he should decide it all himself: whether to work in a kolkhoz or sovkhoz or organize his own cooperative or private peasant farm.

At the same time, violence such as occurred in the early thirties must not be displayed in connection with the creation of peasant farms, livestock operations, and cooperatives. At that time, they decided for the peasants that large-scale agricultural production was better for them, i.e., the kolkhozes and sovkhozes. We are harvesting the fruits of that decision today.

Hotheads now are also proposing a one-sided settlement of the kolkhoz-sovkhoz question: dissolve the socialized sector and distribute the fixed assets and the land. Such voluntaristic recommendations also constitute violence, just in the other direction. Realities have to be reckoned with. There is a system of kolkhozes and sovkhozes in place that has been producing more than 70 percent of agricultural products for the market. To approach this problem superficially would be mistaken.

Independent cost-accounting (khozraschetnyye) collectives are even today becoming full-fledged partners of kolkhozes and sovkhozes and are having an essential influence on their economic activity. Cost-accounting subdivisions cooperating with the farms on a voluntary basis are making it possible to overcome the ossified and outdated command structure of the kolkhozes and sovkhozes, to restructure them on a cooperative basis, and to get back to the original idea of the kolkhoz as a cooperative.

Today, it is a question of creating equal economic conditions in fact for all economic forms. The main question that has to be solved by the upcoming session of the USSR Supreme Soviet is the question of the land. It is well-known to everyone that the kolkhozes and sovkhozes have had a monopoly on the use of our land. Which gives rise to a problem—where is the land to be obtained for the cooperatives and the peasant farms?

In this connection, the congress proposed taking an immediate inventory of the land and carrying out a land reform. Local soviets of people's deputies must dispose

of the land and grant the land to individuals for perpetual hereditary possession or even ownership on an equal footing with kolkhozes and sovkhozes.

The system of material and technical supply to private livestock farms, peasant farms, and cooperatives must be set up under the same conditions as for kolkhozes and sovkhozes. At present, fuel, replacement parts, equipment, fertilizer, seed, and building materials reach the peasant by way of the kolkhozes or sovkhozes. Often the farms do not allocate anything to them or dictate utterly exorbitant prices which smother the shoots of the new even in embryo.

The delegates expressed quite a few reproaches of those who establish for cooperatives and peasant farms purchase prices that are discriminatory when compared with those of kolkhozes and sovkhozes. Supplements which would be significant for the peasants and would make it possible for them to develop their own physical plant at a faster pace do not extend to cooperatives and private farmers.

There is absolute inequality with the kolkhozes and sovkhozes with respect to credit and financial policy as well. At present, it is more advantageous for Agroprombank to work with large customers. As noted in the speeches, a majority of the bank's subdivisions, especially at the local level, refuse to grant loans to a peasant or agricultural cooperative. That is why there was discussion at the congress about speeding up organization of their own cooperative peasant bank.

In a sociological survey that has been conducted, 73 percent of the respondents felt that the character of AKKOR must be determined by the priority of socioeconomic rather than political objectives. This does not, of course, preclude its political activity—taking part in elections, legislative initiative, making requests to executive authorities, and other actions conducted within the framework of the Constitution.

This position was an occasion for various kinds of false rumors and outright speculations which preceded the congress. Opponents of creating an independent organization—the Association of Peasant Farms and Cooperatives of Russia—were saying that AKKOR is all but a peasant party.

The congress resolutely distanced itself from such inventions and firmly supported the course of the CPSU toward a mixed economy, toward a diversity of forms of ownership and economic activity, toward creation of equal economic conditions for development of kolkhozes, sovkhozes, associations, combines, consortiums, cooperatives, peasant farms, and leasing collectives.

At the same time, the idea of the need to develop the process of democratization within the CPSU resounded in the speeches. It is time to give up the defective practice of administrative management of structures that are specifically economic, a practice that has done discredit to the party. Political monopoly and harsh forcible suppression

of differing opinion in spite of political pluralism could cause complications for the CPSU itself. In this connection, the delegates of the peasant congress expect a great deal from the upcoming 28th party congress.

The AKKOR Congress is one more piece of evidence of the cooperative movement in the agricultural sector, for which perestroyka has opened up new opportunities. This movement is developing in many regions of Russia and in other union republics. Its protection and the new rural way of life that is taking shape need a resolute joining of forces of the peasantry, cooperators, members of the movement, and the broad public. It is evident that at present it is no simple matter to determine the importance of the congress that took place, which is expected to take an important place in the history of the rebirth of the Russian countryside. Help is needed to reestablish a socioeconomic way of life that would give the land to its true master—the farmer.

The delegates to the congress put the question: Will AKKOR not turn into just another club of chatterboxes? It does not seem that this will happen, since the idea of creating the association did not originate in the offices, but with those who are working on the land and growing real grain. Full democracy, the voluntary nature of membership, and the absence of prescribed procedures, orders, and circular letters make AKKOR a body which is implementing in practice the Leninist principle toward the peasantry: it must not be a question of issuing orders!

## REGIONAL DEVELOPMENT

### Kolkhoz, Sovkhoz Preservation, Power Issues Viewed

904B0155A Omsk ZEMLYA SIBIRSKAYA,  
DALNEVOSTOCHNAYA in Russian  
No 12, Dec 89 pp 13-15

[Interview with V. D. Smirnov, lead scientific associate of the Economics and Organization of Industrial Production Institute, Siberian Department, USSR Academy of Sciences, by A. V. Korchuganov, department head of the scientific and technical information center of the Altay Agro-Industrial Complex: "In Whose Hands is the Power?"]

[Text] Our non-staff correspondent Anatoliy Korchuganov met with Doctor of Economic Sciences Vasily Dmitriyevich Smirnov, lead scientific associate of the Economics [and Organization] of Industrial Production Institute, Siberian Department, USSR Academy of Sciences. Vasily Dmitriyevich is both a scientist and a practical expert and has been working in the Altay for almost 10 years.

[Korchuganov] Vasily Dmitriyevich, we can't evade the question that disturbs everyone these days: "Where's our countryside headed?"

[Smirnov] Wherever it leads. Unfortunately, I am not certain that the old times are finished for good when in our countryside they put us first under contract, everything a contract, then they made everyone pay labor from gross income, and now leasing on the basis of various decrees and directives is being introduced everywhere. So that now, I think, the countryside doesn't choose its path of further development and movement on its own.

But in answering this question I would like to say that the countryside, including both the Altay and Siberian countryside, is at a crossroad. I can only express my own views based on the experience we have gained over several years, here, in the Altay. I'm thinking of the experience in the "Put k kommunizmu" kolkhoz in Kosikhinskiy rayon, where we began our experimental exploratory research work in the autumn of 1981 which we have been continuing till now.

What was gained there and what is being gained I will talk about later on. Now the basic field of our endeavor is Tretyakovskiy rayon, where the "Aley" kolkhoz is the base farm. At the same time we are trying to organize internal economic relations at the equipment repair enterprise of Tretyakovskiy rayon on a new basis.

So, where can the countryside go? The March (1989) plenum of the CPSU Central Committee advocated a variety of forms of ownership and management. Moreover, all or a majority of the presently existing agricultural enterprises are being retained, but retained in form only. However, with respect to the content of internal economic relations everything must be fundamentally changed. An absolutely different life must be breathed into the presently existing kolkhozes and sovkhozes.

I think that other courses are also legitimate. Take the Baltic region where I happened to have been recently. There, of course, quite a few individual farmsteads (khutor) have remained and independent peasant farms have, naturally, developed rather widely there. They will develop also in the Black Earth zone where there are very many extremely weak and chronically unprofitable farms. But the main decisive course along which our agriculture should develop is the course under which kolkhozes and sovkhozes are not broken up, are not dissolved, but are retained while living quite differently.

And how should this completely different inner life of theirs be manifested? I surely won't be discovering America by saying that this other life should be manifested in the fact that the machine operator, milkmaid, driver and lathe operator in a repair shop should become really and truly the bosses.

I think that nothing will come of our perestroyka if it doesn't take on a truly revolutionary character. You see, a revolution will come when with us power passes from one group, from one stratum to another stratum, to a different group of people. A revolutionary character in the perestroyka of the agrarian sector will be attained only when we hand over power, which now is really in

the hands of an upper managerial stratum to the main productive force—to the working class and the ordinary kolkhoznik.

[Korchuganov] Vasily Dmitriyevich, you have now expressed the thought that power needs to be transferred directly into the hands of the workers and peasants, that is, the task that was set in 1917 and has turned out to be unfulfilled.

[Smirnov] Yes, and I think that such an assertion is legitimate. Our worker and kolkhoznik was dispossessed of both the means and the results of production. He did not rule and that means he was not a master. And for our socialist system to conquer one must find more powerful and efficiently operating factors in economic development. I think that this factor can only be the fact that we will attract the broadest strata of ordinary workers to direct management, to direct rule in production.

[Korchuganov] How is this to be done, practically, in any given farm?

[Smirnov] Let's say that there is a livestock yard with 200 cows. Ten people work there. This is a primary labor collective. And it must be made so that it would be answerable for this yard, that not one operation performed in the kolkhoz or sovkhoz, not one piece of equipment, not one head of cattle—nothing would be no man's. That everything would have its master in the form of this primary labor collective. Master in the full sense of the word in the sector of production it has been given. Specifically this should be expressed in it being made a commodity producer, that is to say, it does not hand over its output or services (transport, repair, other services) to anyone but sells it and receives a monetary income. This is on the one hand, and on the other—with this income it buys feed, fertilizers, petroleum products, spare parts, everything that it needs for the production of its output or services. In addition, out of its income it transfers a certain amount to the centralized funds within the framework of the entire enterprise and what is left it uses for wages, i.e., the wage fund is determined on the basis of the residual principle.

However, converting all the primary subdivisions to the status of commodity producers, when it would count its own revenues and its own expenditures, is still not enough. One needs to restructure what is the main thing—property relations. There are two possible variants for the solution of this problem.

The first variant, which is being widely popularized and is widespread, is the organization of leasing relationships. As is well known, under such relationships, one subject (the lessor) transfers some property, machinery, livestock, as well as land on hire to the lessee, the very same subdivision, for a period of time and for a specified payment. However, in so doing the lessee is still a temporary user. If the machine or cow being leased is subject to being written off or discarded, the owner, i.e., the lessor, makes that decision. And he, the owner-lessor decides about the purchase of new items to replace those

removed. And having purchased them, he transfers them on hire for a specified payment and for a specified period. On the whole, everything is understood here.

I think that another version of organizing property relations is more efficient. We are trying to implement it in the "Put k kommunizmu" and "Aley" kolkhozes. The gist of it is that we transfer machinery, cattle and equipment not for hire with payment over time but we transfer it free of charge and indefinitely. But... I always pause here and add: under conditions of self-financing and the renewal of items taken out of use. Specifically, this means that a primary subdivision which has and uses a milking machine, for example, when it deducts amortization for its replacement does not give this amortization back to the enterprise but keeps it, thus creating its own capital investments fund. A milkmaid brigade in "Aley" kolkhoz culls a cow, sells it and keeps the proceeds. And from these proceeds and from this amortization they buy replacement heifers to replenish the herd. That is, the primary subdivisions decide when and what to write off, when and what to buy. I think that with such an organization of property relations we will put the brigades and links in the position of property-owner to a far greater degree than under leasing relationships. If we organize property relations in this way and put the primary subdivisions in the position of commodity producers, we will be able with sufficient grounds to call them primary subdivisions of a cooperative character, or intra-farm cooperatives, which already come under the protection of the Law on Cooperative Societies. And in this case the kolkhoz or sovkhoz, in which the entire field of economic activity is distributed without remainder among these subdivisions, is transformed into something else—into an association or union, an association of cooperatives.

[Korchuganov] The question arises: How will such a cooperative union or kolkhoz be administered?

[Smirnov] I repeat that decisions on how to carry on production within the framework of this primary cooperative are to be taken by its members at general meetings. Some might ask: if there are questions of a general nature, for this union altogether, who will then decide. How does one need to organize administration within the framework of this enterprise as a whole? I am sure that here administration should also be as democratic as possible and power should belong to these cooperatives. If you visit the kolkhozes I have named, you will no longer find the usual management board. There is no such body. In place of it there is a cooperative members council, made up of representatives, or to be more precise, the chairmen of the primary cooperatives. This council meets and decides general questions for its union or kolkhoz altogether. I was at a session of such a council in the "Put k kommunizmu" kolkhoz.

[Korchuganov] I'd like to hear a few words about that.

[Smirnov] Chief Economist Mikhail Mikhaylovich Shmidt comes to the rostrum and appeals to the cooperative members council to decide the question of the kolkhoz's worker staff. Whom do they want to hire, how many persons and at what wage. And they, the cooperative members, decided we will have such-and-such a staff, made up of such-and-such coworkers with such-and-such salaries. Galina Nikolayevna, the chief book-keeper, then appeared on the rostrum. She talked about the kolkhoz's financial situation: how much money does the kolkhoz now have in its current account, how much income does it expect to get in the coming months from the sale of milk, meat, etc. A plan for the expenditure of the money was then proposed to the council. And they again manifested their power, i.e., they, they alone, decided where to spend their revenues and funds. I think that if administration at the very bottom is organized this way, within the framework of these primary cooperatives and at the level of the enterprises, or to put it better, of the cooperative members union, we can talk realistically about the transfer of all absolute power to the working class and the kolkhozniks.

[Korchuganov] Vasily Dmitriyevich, what attracted you to the Altay land, the Altay peasant?

[Smirnov] You know, I tried to work and to test new forms of labor organization and, in general, in the organization of intra-farm relations and in different oblasts, both in Omskaya and Novosibirskaya oblasts, but in Altay Kray it turned out far better. There's one reason—a different attitude towards our endeavours, to our work and a different degree of interest. You see it is interesting for our brother, the scientist, to work when one encounters like-minded persons vitally interested in the implementation of ideas being proposed. I can assert that both the chairman of the "Put k kommunizmu" kolkhoz, Mikhail Vasilyevich Kropotkin, and the chairman of the "Aley" kolkhoz, Ivan Izotovitch Poleyev, became my close friends. We are already, one can say, comrades-in-arms. Unfortunately, it turned out that in other oblasts such friendship, such mutual understanding did not develop.

[Korchuganov] I realize that you, of course, are no oracle but, nevertheless, Vasily Dmitriyevich, tell us how soon, in your opinion, will we be able to solve the food problem?

[Smirnov] I'm an optimist, although the present situation does not give one high hopes. I think that it's not enough to restructure things differently, to alter internal economic relations. Of course, this is the foundation of all economic and social relations throughout the entire national economy. However, there are a number of factors which govern both the success of the functioning of the entire economy and the solution of the presently most acute problem, the food problem. Many of them lie beyond the boundaries of the enterprises. For instance, until we properly organize wholesale trade of the means of production, our food problem will be resolved unsatisfactorily. This depends not just on how the enterprises

of the purely agriculture sector will operate. Nevertheless, despite the fact that as yet no perceptible shifts in relations between agricultural and industrial enterprises have been observed, I'm an optimist.

[Korchuganov] Vasiliy Dmitriyevich, you well know that the cooperative movement in Siberia developed on a large scale at the beginning of the century. How is the experience of the work of the cooperatives of those years being used now?

[Smirnov] Yes, we are acquainted both with the history and the experience of the cooperative movement not only in Siberia but in Russia as a whole. We study the works of such an expert on peasant affairs, on the peasant problem and our cooperatives in Russia, as Chayanov. I know that this experience will stand us in good stead in our work. However, at the same time one must also take into account the present situation and the change in the material-technical base and psychology of the peasant. He is already different in every way: in level of education, in technical preparedness, and in attitude towards labor and property.

[Korchuganov] Do you want to talk about inertness?

[Smirnov] My experience permits me to say that present-day peasants can yet be roused for good causes rather quickly, stirred, and kindled if the business of the perestroika of economic and social relationships is well organized and is not just a campaign.

People react quickly to good proposals, to a good organization of affairs. In my practical work there was perhaps not a single instance of refusal when with the kolkhoz chairman, with the chief economist you come to a field-crop brigade or to a motor pool or to a farm and there you explain and convince the people of the advisability of converting to new forms of labor organization and payment.

In the "Put k kommunizmu" kolkhoz I am present at all the annual report meetings. They are rather lively. During the seven years of our joint work with specialists and leaders there was not an instance when somebody said: why a new system for us, let's go back to the old one. People have believed that it is better than it was before, better both for them and for society because they see that they give more milk, grain and meat to society. I can cite some figures. When we came to Losikha, to the "Put k kommunizmu" kolkhoz their milk yield per cow was 2,150 kg while in 1988 it had grown to 3,160. The same thing in "Aley." Whereas the "Put k kommunizmu" kolkhoz delivered 20-22,000 centners of milk to the state in 1982, in 1988 it delivered 34,000 centners. And people's wages have risen substantially.

**From the Editors:** It is not at all accidental that we often repeat the phrase that we are only learning democracy. In carrying out radical economic reform and building a law-governed state, we are discovering for ourselves its ever newer and newer facets. The question of power over the land, the question of ownership did not figure

previously in our daily life. It was not until the first Congress of Peoples Deputies that the question arose of the need to adopt an entire package of new major laws—on property, on land, on leasing and taxes. Moreover, the Law "On Property in the USSR" is the dominant one among them. According to the graphic expression of one of the deputies of the USSR Supreme Soviet it is the economic manifesto of perestroika. And it is good that thanks to television and other mass information media discussion of the draft became truly national from the very first outset.

We think that the unhurried work that our Siberian scientist V. D. Smirnov has been doing over many years in the Altay indicates one of the paths one must take in order to resolve the numerous problems of agricultural production that have accumulated.

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### All-Union Scientific-Practical Conference in Saratov Reported

#### Shortfalls, Nikitin Supported

904B0158A Saratov STEPNYYE PROSTORY  
in Russian No 12, Dec 89 pp 2-8

[Article\* by Yu. Shkoda, editor of the economic department: "Present a Program!"]

[Text] To be sure, the main quality—fearlessness in the face of truth—should be inherent in social sciences, on account of their position, to a greater extent than in any other sciences. However, "what is truth?"—this classic question by Pontius Pilatus, Judea's procurator, ancient Roman manager-politician and military governor, has not lost its topicality to this day. Society's—first of all, spiritual—life is now distinguished by growing intensity. Everyone has embarked on a search for his truth. "Present a program"—this is what is demanded now in order to acknowledge or to reject. At the same time, some figures in plain view lose face, while others, conversely, find it, breaking through cordons of protective dogmas. On the whole, however, public consciousness urged on by the continuous flow of contradictory events is maturing much more rapidly than the fruits of social sciences. Naturally, the latter imply analytic evaluations, theories, proposals, and, finally, outstripping ideas...

But is so much needed? After all, when setting out on any march, we equip ourselves only with the most necessary things.

On these pages we invite readers to perform together with us a simple job: to reflect on the materials of the conference held before the second session of the Supreme Soviet of the new convocation and before the Second Congress of People's Deputies. It is still difficult to say what new horizons will open there. It is more interesting to get acquainted with our own position held by economic science on the ground floor—close to earth.

### Opening. Plenary Part

The meeting hall of the House of Political Education was almost full. From academic, sectorial, and educational institutes of the country's various cities and krais 20 doctors of sciences alone and in all—without people from Saratov, who were the hosts—100 people were present there. Saratov, in addition to its scientific forces, was represented by the supreme party and oblast agroprom leadership.

Of course, some people did not come. From a purely journalistic point of view, one could regret the absence of VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] academician V. A. Tikhonov. This year he has begun to play an almost vanguard role with respect to a number of positions—cooperative workers elect him president and central publications quite often publish and quote him. It must be assumed that he had reasons for this, but to us it seemed amusing that, as though instead of the announced report by the academician, KROKODIL—the very issue, where a conversation with him was published—was piled up on the counter of Soyuzpechat in the lobby.

Nevertheless, it would not be difficult to see a certain meaning in this coincidence: the main fight around ways of further developing our economy has been taken away from academia and takes place on a different level. This is so. However, becoming familiar with the clever and profound speeches by those whom rumor recognizes as leaders of perestroika, one often encounters very tentative ideas (V. A. Tikhonov does not count here) of the actual, real situation there, below, “on the zero mark”—on farms, in brigades and links, and on kolkhozes and sovkhozes, including the rayon level. On the other hand, the “pragmatic nihilism,” first of all, of farm managers and specialists is still very strong. One sovkhoz director formulated it with maximum clarity: “We do, while science generalizes.” That is, its place is in the rear guard.

There is no denying that until recently social sciences have lagged behind here. Practical workers have made breakthroughs even in the area of solid concrete economy. However, if we want to become a civilized country, let us help our science, which is being revitalized, to acquire both true competence and courage. There are still many incidental people in its ranks, which is understandable: The rural economy is positioned in cities. It has not yet developed (as did the meteorological service) its own system—to keep posts, stations, and laboratories in the points where “the weather is ripening,” where new forms of management are emerging.\*\* Weighed down by its instructions and methodological limitations and requirements it is not yet able, like social and political journalism and philosophy, “to discern the universe in a drop of water”—to see, perhaps, in a heretofore single fact something much bigger. It is simply poorly informed. This is not its own, but our general, misfortune, which, it seems, the country will not get rid of soon.

But it is no longer so weak.

The first impression of the conference was scary. It turned out that, initially, 14 reports were planned for the plenary meeting and, on the whole, 273 reports were to be heard in sections. It is not our business to judge the academic reasons for such a scale. But the feeling of the good old routine all-comprehensiveness—there is no getting away from it. Especially at the time when, following the whole world, we are beginning to turn to efficiency in a heavy weight manner...

N. S. Aleksandrov, chairman of the Saratov Oblast Executive Committee, made a ritual speech (on behalf of the hosts). However, the second part of his speech was of a somewhat different nature. N. S. Aleksandrov, having noted that this was “personally on his behalf,” in particular, dwelled on planning problems. Is it right that the state order “urges the oblast on” toward a yield of 20 quintals per hectare, while in the last few years it has been on the level of 10 to 12? For the sake of figures substantial areas are allocated for economically unprofitable, but more productive, barley and oats. Valuable food millet, buckwheat, and lentils are “pulled down” in terms of their yield. Selection, from which increasingly more productive varieties are demanded, is also being deformed. However, less productive varieties have higher baking qualities... Where is the line of sound sufficiency between this and the other?

I recalled how at the session of the USSR Supreme Soviet during a discussion of Yu. A. Maslyukov's candidacy proposed for the post of Gosplan chairman one of the speakers spoke about the “idiotism of planning based on what was attained.” He did not like the formulation. However, as far as is known, the outlines of further plans, as before, resemble a tight boot for the wrong foot.

If one reflects on this thoroughly, science is completely out of place here. What can force a producer to accept an unrealistic state order? Only the promise of allocations for it and the reasonable fear of being deprived of them. However, this is not the chief thing. The fact—we will speak diplomatically—that “methods of noneconomic coercion” are still decisive is much more important. Last winter by means of them obstinate raykom secretaries, sovkhoz directors, and kolkhoz chairmen were brought “to a form convenient for taking the logarithm.” It is to be assumed that this winter [authorities] will also not manage without them.

An answer to the question as to where such “control figures” are taken is known—from dogmas spurring on the planning of what is desired.

There, on the top floors, there is virtually nothing with which to defend these dogmas (the need for a steady growth and so forth)—they are simply followed tacitly despite everything. Probably, on the lower floors there is mostly fear of letting go of the levers of the “real, but stepped-up,” plan.

Here we have come right up to the most fundamental and urgent problems.

### Current Moment

Its characteristics consist of lectures and reports heard at the conference, of talks in corridors, of the latest statements by the central press, and so forth. The personal impressions of each of us also play by no means the last role in the formation of the real picture of the changing world. "Man in the system of modern agrarian relations"—this is the subject of the report by Doctor of Historical Sciences V. B. Ostrovskiy (Institute of Socio-economic Problems of APK Development of the USSR Academy of Sciences). At their section sociologists concentrated on the following problem: "How to revive the master in rural areas." The objective and subjective in interweaving and movement and in their perpetually changeable interrelationships and correlations—this is a very complex subject of present social sciences.

Sharply and definitely: the prospects for the further development of agriculture rest against property relations. State, public, collective, and individual (a timid designation of private) property—equal legal and economic rights should be granted to each of them. We should realize and let into our souls the idea, the feeling that in the present world, at today's stage in the development of productive forces, socialism is diversity. We will express ourselves as follows: it alone is able to successfully resist social epidemics.

From conference recommendations it is obvious that science has arrived at a completely definite point of view of this. Moreover, it clearly sees that in the last 4 years the downhill movement has not stopped, that rural areas and agrarian relations in their mass continue to be destroyed, and that per-capita production of products from domestic raw materials has a tendency toward a decline—and the not very bright prospect of sinking into open hunger looms before us.

There is a need for a general change in social and economic relations in the country. Only in this way is it possible to cope with the food problem. Unfortunately, the decisions that were and are made to this day are not consistent and change nothing fundamentally, only renewing and adjusting something. It is still difficult to say to what extent the Land Law will promote radical changes. In order that it may "work," time is needed. And vast additional efforts—for clearing.

We will single out five basic positions.

Two of them are postulate and theoretical positions. The first—the property problem—no longer evokes "barrier" nonacceptance. To be sure, it can be said that we solved it when we admitted leasing into the national economy, because the appearance of the property of a collective and the property of individual people is precisely the criterion of leasing. Any other interpretation—pardon me—is not leasing. However, having allowed the appearance of property (an impossible thing under the previous—black and white—interpretation of socialism) and, in particular, fighting for the development of Soviet

farming, inevitably we will be forced to take the following, just as impossible, step: To recognize hired labor. To talk seriously about farming without it is only to be hypocritical.

There was an interesting talk about this in the corridors of the conference hall. The first speaker proceeded from realities—technical capabilities and peasants' ideas and wariness. His farm had 5 to 7 hectares, and the value of fixed capital, including housing, farm structures, minimally needed equipment, was roughly 100,000 rubles. The second, in his words, "examined the ceiling," that is, tried to draw the optimum picture. His farm had 80 to 100 hectares and the property value was no less than 200,000 rubles. However, "An American Expert's View of Restructuring of Soviet Rural Areas," which upset both notions, was published in the journal *NOVOYE VREMYA*, No 37 (as luck would have it, of 8 September 1989) under the heading "Ideas and Experience." Peter Marsi, the author, as though especially for our zone, writes: "... It is quite a different matter when grain crop production is concerned. Here the lessee is forced to incur big expenses—mechanization, storage facilities, fertilizers, and many other things. At present, when the use of complex agricultural equipment and machinery for land cultivation is needed, grain farms with an area of less than 400 hectares cannot permit themselves such expenses."

We will make a digression.

A week before the conference the author of these lines again visited S. I. Gavra's famous link on the Verkhne-buzinovskiy Sovkhoz in Kletskiy Rayon, Volgograd Oblast. I wanted to talk with the link leader about the "lessees' roundtable" conducted by central televisions with Ye. K. Ligachev's participation. It turned out, however, that the collective sent the link leader to the city to sell grain obtained as payment in kind and our talk with machine operator Viktor Andreyevich Shchetilov took a different turn. Here we must tell our readers, who are not familiar with the link, about it. It consists—together with the link leader—of four people. They have the land of a former department—3,300 hectares of arable land with specialized grain crop rotation (now virtually a double field). This year 25.9 quintals of winter wheat per hectare were obtained from 1,500 hectares and 14 quintals of barley, from 300 hectares. As a rule, four combine operators are enlisted for the harvest time. Essentially, they are the same hired seasonal workers, even if they are called "patrons." The forthcoming spring will be the 20th for the link and the 12th for Shchetilov.

Working on the attached land constantly, the collective, in fact, can be considered its lessee. On paper it is considered to be such, but there is no leasing here. It is difficult to say what the matter is. Perhaps, no one needs leasing and the principles of the collective contract suit everyone. Perhaps, the vagueness of the general situation with land hinders it. However, this is what V. A. Shchetilov talked about, in particular: A weed—wild

camomile—has begun to propagate on fields. They will have to be replowed once more (the system has a subsurface cultivator). This is the collective's independent decision. In the last few years the link's gross output has been stably maintained within about 400,000 rubles. If it had these funds (minus all the prescribed deductions) at its disposal, it would have built its own covered shed and its own grain storage facility and would have bought two "Dons." But the sovkhoz is building a hard-surface road, which, finally, is guaranteed to connect it with the rayon center, and is trying to settle its debts with the state conscientiously. But how many "holes" there still are on the farm located in the most remote area! RAPO chairman M. S. Krasulya urgently advises director G. F. Kuzyutkin not to speed up too much the liquidation of credits. Probably, foreseeing the possibility of writing them off, he is right. But, very likely, the sovkhoz director, who is weighed down by this load, which restricts his actions, is also right.

This, in brief, is the maze of problems and it seems that the Land Law alone will not untangle it.

When one looks at the ravine, along which the central farmstead of Verkhnebuzinovskiy extends over many kilometers, thoughts about rainy and snowy falls, blizzard winters, heating, and the small river, which ran there at one time, come to mind. It too can be brought back only through common efforts. And here we again go back to the conference recommendations in their part concerning the internal self-organization of rural areas on the newly understood collective basis—to cooperatives and to the developments by A. Chayanov, who went abroad and, oddly, returned, for example, with the conclusions of the above-mentioned American expert (compare with recommendations): "In my opinion, it is necessary to give thought to such alternatives. Kolkhozes and sovkhozes should have the right to divide themselves into farms. If they decide to remain as one farm, it is best for them to change over to the joint-stock system. Shares should be distributed among all working members. The democratically elected board should develop the agricultural policy: what to sow, what animals to keep, how and where to sell products and at what prices, what equipment to buy, what transport facilities to lease, what to build, where to store products, and where to process them. This can result in an enterprise sufficient in size to be efficient and profitable with incentives for high income, in which every shareholder will be interested."

All this sounds perfectly well, but for the moment is on the level of "other folks' troubles are easily borne." We have to overcome, as a minimum, three shoals deposited through our own efforts.

Everyone now understands that the plan and Gosplan represent two big differences. However, why to this day oblasts freeze up before the absurd figures at hand like a rabbit before a boa constrictor? Why N. S. Aleksandrov, chairman of the oblast executive committee, and workers of an oblast rank, who are responsible for agriculture, realizing perfectly well that the "order" for

the yield is overstated and that control figures for livestock are maximal as it is, but everyone is raising them by pressure methods—why can they not, leaning, according to N. Shmelev, "on common sense and the four rules of arithmetic," first, advise the proper person that they themselves think about ceiling state orders and, second, propose their own realistic figures? This question can be addressed to any oblast and ASSR zone. How much can one tread on one's own feet on such absurd ground? G. F. Kuzyutkin, director of Verkhnebuzinovskiy estimated that in 18 years S. I. Gavra "owed" two annual plans. This year the link of four people also gave products worth 400,000 rubles, but did not give a "plan." What, except "idiotism of planning based on what was attained" can be seen behind this fact? Yet such situations are countless.

Regional cost accounting is the second shoal. Its glorious times have not yet come. As is well known, in our zone in 1990 Tataria will try to live under regional cost-accounting conditions. However, ignore the work and go over the conference recommendations once again. We will be more specific: It is a matter of eliminating double management—both departmental and party-state. At the same time, territorial boundaries should not exist—only economically advisable relations. Then there will be real freedom—to enter into and leave a system of relations if they give nothing. However, what is to be done, for example, with rayon plans and below? Anarchy?...

Inevitably, rayons will want something like this—regional. And in their own way they will be right, as any, for example, kolkhoz, who wants "independence," will be right.

Probably, the new version of such territorial feudalism can arise precisely on the rayon level.

With regard to higher levels, the idea of return to economic zones has begun to float in the air this year. To be sure, it makes sense: ultimately, all the natives of the Volga region are a little related as, for example, Siberians...

Finally, the third shoal—the sector's technical and technological tooling and retooling. When and in what words will the bewitched machine building hut be told to stand with its back to the forest and with its front to agriculture? Our new chief Vladilen Valentinovich Nikitin (IZVESTIYA, No 251, 8 September 1989) expressed a beautiful hope: "Today, when selling wheat, leguminous crops, and oil seeds in excess of the attained levels, kolkhozes and sovkhozes, including leasing collectives and farms, can earn about 400 to 700 million foreign currency rubles. The task is to establish and develop a truly powerful mechanism for a breakthrough of our agricultural production into the foreign market. This will give us direct access to equipment and technologies of interest to us and to contemporary scientific thought and will enable us to establish joint enterprises under mutually advantageous conditions..."

"I hope that, by giving foreign equipment and technologies access to our farms, we will spur on the development of domestic machine building and our own agricultural science."

Of course, something a little similar to the song from the film "Aybolit-66" results: "Normal heroes always make their rounds." However, in the absence of other levers, this is also good, although not very inspiring.

### Untrodden Path

We will try to gather together and to group some modern revelations of social sciences. They are ideological to the core.

The specific nature of farming (this includes special productive forces and its own laws of development) is ineradicable.

Agriculture is not one of the sectors in the overall production chain—it is a way of life. It should not be considered a state forestry establishment. To consider the rural area merely one of the attributes of the social system is fundamentally incorrect.

It is time to ponder over how to revive peasantry as a class.

Apparently, this is sufficient to also ponder over the scale and characteristics of the forthcoming reconstruction work in the vast country. It will require not only its own organizers, but—and this is the chief thing—its own theoreticians and ideologists. The country intends to invest new vast funds in the development of rural areas. It is terrible to think: What if they again fall into someone else's hands, if their lion's share is spent on the construction of "Potemkin villages" (in a generalized sense), as happened in many cases in reclamation, in animal husbandry, and so forth. Did anyone calculate how much capital was invested in the nonchernozem zone during a quarter of a century and what return was obtained? There can be no doubt that no one will begin to engage in this awful arithmetic. And how many "rural" rubles were spent in Yelabuga on the walls of the tractor plant, which turned out to be unnecessary? Did anyone engage at all in the statistics of the senseless expenditures of money obtained with the farmer's labor? The only thing that can be said is that it came back not as it should have been and often not in the right form.

Now the chief thing is not to repeat the previous high-sounding nonsense.

Rural areas need their own policy. V. V. Nikitin is right in "procuring" foreign currency for rural areas. It is important to go further. Rural areas also need their politicians—organized politicians. How this will look—this is another matter. However, the fact that the time is ripe for rural areas to appear on the public arena, probably, is accurate. Let "popular fronts" solve their problems—democratization of life and national rebirth. Rural areas need a rural rebirth (here, incidentally, are the deep roots of everything that is national)—and this is

a totally different range of problems. There is one task: To find the strength and to give back to the country the name of a great agrarian power. However, without a general organization such a matter cannot be overcome. We repeat: whether it is an agrarian fraction of the Communist Party, or a separate agrarian union, or another form, one thing is important: it should be a public force with equal rights and with everything that is needed for this.

Such a seemingly unexpected conclusion was drawn on the basis of the materials of the scientific-practical conference. Its participants did not draw such a conclusion and we did not have occasion to hear discussions about this. However, does it not follow (if one does not squint) from the entire logic of our "development," which has led to this state of affairs?

We saw this conclusion and we expressed it.

If there are other views—please!

### Footnotes

\*According to the materials of the all-Union scientific-practical conference "Regional Problems of Social and Economic Development and Improvement in APK Management" held in Saratov on 5-7 September 1989.

\*\*Monitoring (observation)—it seems that this is how it should be called. However, the journal remembers a more active approach. About 20 years ago VNIETUSKh (Kosino) had five problem laboratories on five sovkhozes in various RSFSR zones, including on the Rossoshanskiy Sovkhoz in Volgograd Oblast. We will mention once again: the laboratories' developments from the start were guaranteed provision with machinery and equipment from centralized stocks. Someone will say: the administrative command approach. But, perhaps, simply normal provision for scientific research and experimental designing? The laboratory on Rossoshanskiy operated 3 years and the farm became stably profitable.

### Conference Recommendations

904B0158B Saratov STEPNYYE PROSTORY  
in Russian No 12, Dec 89 pp 3-8

[Article: "From Conference Recommendations"]

[Text] The solution of the problem of socialist property and the possible forms of its economic realization under socialism is the key problem.

Today most economists agree that with the progress of socialist society the system of economic interests is becoming ever more developed and the diversity of public property relations is growing and becoming more complicated.

Public, state, cooperative, collective (kolkhoz), and individual labor forms are the basic forms in its structure. When entering into interaction among themselves, they

form derivative, secondary, transitional, and mixed forms of property. All of them are the same in their social and economic essence.

Not a single form of the possible forms of property taken in itself can realize the entire system of production relations. Only their totality ensures the development of such a system.

Along with state and collective (kolkhoz) property the development of individual (family) labor property acquires great importance. Peasant (farmer) farms, share participation of individual workers and collectives in the establishment and augmentation of the cooperative form of property, and leasing relations are formed on its basis.

To ensure a harmonious development of all forms of management, an evaluation of the quality of land areas all over the country should be made and, on the basis of this stocktaking, the ways of rationalizing land use should be determined.

The conference believes that the development of new agrarian relations requires a radical restructuring of the entire APK management system. However, in many of the country's regions it is proceeding slowly, in secrecy, and without the broad participation of labor collectives, not affecting its foundations—there is an ordinary change of a signboard.

To attain economic equality, it is necessary to offer every participant in production a real opportunity to independently form economic plans through direct equal relations; to independently use his own and borrowed financial resources for the purchase of the necessary means of production, technical reconstruction, and wages; to directly affect the equivalence of exchange and distribution of a newly created value; to independently dispose of the produced products; to cover all expenditures from his own income and bank credits; to be financially responsible for nonfulfillment of contractual obligations. That is, society should grant primary labor (state, cooperative, and individual) collectives a real right to fully dispose of part of the public property on the basis of simple and logically constructed mutual economic relations.

Having such types of relations and forms of mutual ties guaranteed by law, (individual and collective) commodity producers can voluntarily form cooperatives for the production of certain types of products and services on the basis of mutual economically advisable interests. Thereby, organizationally separate basic production links different in size, form, and specialization—socialist enterprises—will be formed in the APK system. They can be state, cooperative, and individual. Socialist enterprises should be given all functions in the organization and regulation of their own relations and ties with all other participants in public production.

Groups of basic APK production links united voluntarily on the basis of common interests should establish a system of economic, regional, and interregional unions

and associations. The same enterprise (basic APK production link) can be a member of several unions and associations simultaneously.

Associations and unions and their departments on various levels should undertake functions for managing the complex. They will differ fundamentally from the functions of agro-industrial committees. Every enterprise forming part of the association independently solves the problems of its economic and other activity.

The economic activity of associations is carried out mainly through assistance to the organization and development of the most promising types of enterprises; help in the establishment of agro-service supply cooperatives and of direct ties with producers of material and technical resources; performance of intermediary functions in the purchase of machinery, equipment, and materials both inside the country and abroad.

Associations promote the organization of cooperatives for the storage, processing, and sale of products and for the establishment of wholesale markets, auctions, and exchanges. They forecast the condition of markets for agricultural products, the means of production, and other goods and services and disseminate this information among users.

Associations can establish scientific centers, which are independent cost-accounting organizations. Research subjects are determined by consumers' orders.

To protect the rights of their members, associations and unions send their representatives to higher legislative bodies on various levels.

With the abolition of agro-industrial committees and the transition to regional cost-accounting it is necessary to concentrate the functions of consolidated planning, recording, price formation, and tax and credit policy in appropriate administrations and departments of the soviet of people's deputies. This will eliminate the departmental approach to the determination of the place and role of the APK in the national economic system; more closely connect industry with agriculture; eliminate the duplication of functions; significantly reduce the administrative apparatus; create a reliable barrier against command methods of management and scope for the use of economic levers. Local soviets should retain functions in land management and use, veterinary and quarantine supervision, procurement and control of the quality of products, and environmental protection.

Union republics and oblast-type regions should form plans for APK development on the basis of mutually advantageous state orders for the final products of this complex. In connection with this it is necessary to abolish the practice of assigning to Union republics, ASSR, krays, and oblasts state orders for the delivery of agricultural products to centralized stocks, replacing them with orders for final products to processing enterprises. In connection with the introduction of the new procedure of paying subsidies to processing enterprises

from regional budgets according to the place of consumption of these products the centralized determination of market allocations of food products for local consumption should be abolished. Union republics, krays, autonomous republics, and oblasts should be given the opportunity to independently dispose of resources of all types of APK products, to form a local market, and to develop an equivalent interregional commodity exchange.

Equivalence should be considered the necessary planned basis for price formation in the APK and the principle of equivalence should be realized in the form of a tendency toward bringing the set prices closer to their value basis and eliminating big redistribution processes occurring through the price mechanism. In the course of the forthcoming price formation reform, in order to establish price equivalence, it is necessary to take into account the hidden, not only direct, rise in the price of the means of production in the calculation of the purchase price and to calculate equivalent purchase prices according to the zones of production of various agricultural products, which take into account both the direct and unsubstantiated rise in the price of the means of production supplied to agriculture.

The problem of correlating centralization and decentralization in price formation is of special importance for the APK. Precisely in this sphere production is socialized to a lesser extent and the measure of centralization is extremely high. The present development of agro-industrial production is characterized by the interweaving of various forms of property and the appearance of new economic forms necessitated by the development of the cooperative sector on the basis of equal rights. In this connection the delegation of rights and functions in the area of price formation to levels of the economic structure relatively lower than the national economic level is predetermined objectively.

Centrally set prices of APK products should encompass the volume of output determined by plans for deliveries to Union and Union-republic stocks and representing the state order for final products. The determination of prices of intermediary products should be the prerogative of local bodies and primary links of the complex.

The conference believes that, when transferring the APK to new economic relations, it is necessary to take a number of measures to stabilize APK finances. For this it is necessary to write off bank loans resulting from a nonequivalent exchange with other public production sectors and miscalculations in planning and in investment policy and to change over to a system of strict budget restrictions on economic activity.

The change in the procedure of access of economic subjects to production resources should become the first step in the transition to such a restriction. It is necessary to rule out in principle the possibility of insolvent enterprises and associations obtaining them. For this it is necessary to change the system of material and technical supply for producers,

transferring it to a free wholesale trade regime. The establishment of a direct relationship between the income of an enterprise and its workers and the actual realization of labor results is the second condition.

The problem of developing a mechanism for the withdrawal of a differential rent becomes urgent. It is advisable to apply rent payments to all types of agricultural land allocated for agro-industrial production.

When the direct withdrawal of rent income is developed, the formation of the state budget can be fully transferred to the income taxation system.

Basic transformations in the credit system should be made in its two interrelated spheres. The development of credit relations among the basic APK links inside the complex and between enterprises of the APK and of other national economic complexes is the first. Relations of APK enterprises (associations) with the credit system represent the second.

Subordination of the credit plan to the production plan presented to enterprises causes "automatism" in crediting, which does not correspond to the new requirements of the economic mechanism. Elimination of such automatism is possible by granting banks independence in the selection of subjects of crediting within the framework of the determined state programs in accordance with their cost-accounting interests.

Limiting the borrower's responsibility to a specific range of his physical assets and strictly determining the period for which loans are issued are also inefficient. According to an agreement between the bank and the enterprise all material and financial resources of the borrowing enterprise should be taken as security. In case of lengthy nonpayments on loans these resources become the bank's property. The period of liquidation of loans should be coordinated with the period of their utilization.

Intensification of the role of local self-administration is the logical consequence of the basic link's cost accounting. Under these conditions it seems necessary to grant local soviets more extensive rights in the organization of tax relations with enterprises of the jurisdictional territory... It is necessary to grant soviets extraordinary powers for the introduction of a special regime for taxing economic links doing considerable ecological damage to the jurisdictional territory, including a complete seizure of their accounts. The formation of currency funds of local budgets from deductions from the currency earnings of enterprises engaged in foreign economic activity also seems advisable.

Technical policy in the APK should take into consideration the differences in the technological level (multiformity) of sectors and regional links of the APK. The set of measures for the development of scientific and technical progress should include the following: improvement in the territorial-sectorial production structure with due regard for climatic-soil and economic conditions, correct agroclimatic macro- and microregionalization of varieties, retooling on

the basis of completed technical and technological systems, production of new types of mineral fertilizers, and improvement in methods of their application; development of new types of materials and motor fuel and introduction of automated reclamation systems, an integrated plant protection system, and technology of processing and storage of products with the maximum retention of biological properties of raw materials.

It is necessary to assist in every possible way in the organization of interfarm, joint-stock, and cooperative enterprises for the production of spare parts and specialized nonseries equipment and for the production servicing of the APK and specialized intermediary, financial, and legal institutions.

The conference considers the following the most important scientific task: development of a socioeconomic and organizational-legal mechanism ensuring the preservation and maintenance of an ecological balance in agroecosystems and stimulating the introduction of ecologically pure technologies, including: elaboration of a system of integral indicators of ecological and economic development, determination of the legal status of an ecological expert examination in the APK, introduction within the framework of regional cost accounting of payments and economic-legal sanctions for the pollution of nature facilities, and establishment of a gradation of the quality of agricultural products depending on the content of chemical and biological pollution.

Problems concerning landscape organization on a territory and a scientific substantiation of the correlation of arable, arable-meadow, and forest land, water areas, and industrial and recreational zones with due regard for regional characteristics for the purpose of preserving the stability of agroecosystems and stably developing agricultural production in the future require an urgent solution.

There is a need for an active transition to labor saving forms of development of agro-industrial production, an increase in the diversity of the sphere of application of the rural population's labor, the creation of comfortable working conditions, a radical restructuring of the system of rural vocational and technical education, and the establishment of regional occupational centers for retraining and improving the skills of rural workers.

It is advisable to change the proportions of deductions of the payment for labor resources between the sector and the territory in favor of the local budget. In depressed regions the entire amount of the corresponding payment should be deducted into the local budget.

Provision should be made to adopt legislative acts ensuring the flexibility of age limits of the able-bodied age, to grant educational leaves to all public production workers, and to guarantee material security from the resources of the state or the local budget to people who do not work temporarily in connection with the liquidation of unprofitable enterprises and staff reduction.

The experience of past years convincingly demonstrates the need for the most rapid transfer of all absolute power to local soviets, primarily rayon and rural soviets. They precisely are capable of most fully reflecting the interests of all rural settlements, determining priority directions in development common for all, and directing efforts toward eliminating bottlenecks and depressed zones and equalizing living conditions in diversely populated settlements.

Local soviets can play their role only if they have financial and material resources in their hands.

Implementation of the social restructuring of rural areas and creation of appropriate working and living conditions for all categories of rural workers will require vast financial and material resources. It is economically unsound to expect the solution of these problems in a short time and on a large scale through kolkhozes and sovkhozes alone. State specific financing and material provision for an overall social program for rural development according to its basic directions—housing and road construction, civic improvements for rural settlements, and construction of schools, hospitals, and children's preschool institutions in them—this is the way out. This gap can and should be bridged by decreasing production and even cultural and domestic construction in cities and by reducing expenditures on defense and on management needs, as well as by attracting financial resources of APK enterprises. Immediate decisions of the USSR Supreme Soviet and the country's government are needed for this.

Institutions of the USSR Academy of Sciences and of VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] in the country's various regions should conduct, according to a unified method, social and economic monitoring of the emergence and development of new management forms in the APK. This will make it possible to uncover the social and economic consequences of introducing new levers of management in the agro-industrial complex and to avoid unsubstantiated decisions.

The social base for culture in rural areas has been greatly undermined and its traditional peasant essence has almost disappeared. New socialist culture has come to rural areas in a curtailed form and has not penetrated into the souls and minds of most people. The material base for culture in rural areas can be characterized by one word—backwardness.

Against the background of the slow realization of radical economic reform in society and in the agrarian subsystem owing to the clash of contradictory factors in the old and the new a number of negative phenomena and processes have already appeared. Prices of books, films, and cultural and domestic services are rising. Rural areas are becoming unprofitable for the touring activity of professional artists, film distribution, and so forth. Under these conditions self-adjustment of relations cannot be expected.

The public and state principle based on merging the efforts of associations and public movements for the revival of rural areas and of state bodies responsible for culture should be considered the main principle in the management of rural culture.

A proposal for the establishment of a special channel for rural residents in all-Union television should be submitted to the USSR Council of Ministers. It should also include educational programs, taking into consideration the existence of poorly equipped schools and the shortage of pedagogical staff in rural areas, art programs, social and political journalism, and broadcasts intended for the rural family.

A philosophical, sociological, and economic analysis of new structural strata of the rural population in the context of intensification of democratization in management, diversity of economic life, and realization of market relations is urgent.

The problem of changes in the social class structure of rural areas lies at the intersection of economic, social, political, and spiritual-ideological patterns in the development of society and its agrarian subsystem.

There is a need for the development of a new mechanism of social, legal, and ideological protection of the rural lessee and cooperative worker, whose activity often encounters the counteraction of various forces.

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## MAJOR CROP PROGRESS, WEATHER REPORTS

### RSFSR, Ukraine, Belorussia Winter Crop Conditions

904B0170A Moscow ZEMLYA I LYUDI in Russian  
No 11, 9 Mar 90 p 2

[Review: "On the Country's Winter Crop Fields"]

[Text] Spring. At the present time, the winter grain crops are in need of fixed attention. They have been planted on 39.1 million hectares at kolkhozes and sovkhoses throughout the country. This winter turned out to be unusually capricious and unstable. What is the condition of the winter crops today? What must be done at the present time in order to realize a maximum return from these crops? The Editorial Board addressed these questions to specialists of the RSFSR and Ukrainian Gosagroproms [state agro-industrial committees] and to scientists attached to the Belorussian Scientific Research Institute of Farming and Feed. Indeed, it is precisely in these republics that the majority of the winter grain crops are being produced.

### Russian Federation

Winter crops have been sown on 21.9 million hectares on farms in the Russian Federation in behalf of the 1990

harvest. In the autumn they ceased growing while in fine and satisfactory condition. The wintering of the crops, especially that of the wheat, took place in a favorable manner in the principal regions of cultivation.

Warm weather was observed in the western Tsentralnyy and the Tsentralno-Chernozem rayons. There was either no snow in January or February or its height did not exceed 5 centimeters. There were no strong frosts. However, an increase in sparseness in the winter crops is expected in these rayons over an area of approximately 700,000 hectares as a result of prolonged lodging out on the fields and an icy crust on the soil in excess of 2-4 centimeters thick.

In Krasnodar Kray and in the autonomous republics of the North Caucasus, as a result of warm weather and the winter precipitation, the condition of the crops prior to the arrival of Spring improved roughly on 600,000 hectares. Unusually warm weather is prevailing here at the present time. The average air temperature is plus 7-8 degrees, or 5-8 degrees higher than the average temperature established over a period of many years. The maximum temperature in the south is 23 degrees and on the remaining territory—plus 10-15 degrees.

The start of the vegetative stage was noted on 20 February in Krasnodar Kray. In the southern rayons, the shooting phase has been noted in the winter crops. Ninety five percent of the crops are in fine condition and the remainder—in satisfactory condition. The supplies of productive moisture in the 1-meter soil layer are adequate—160-180 millimeters. The campaign being waged against mice-like rodents is nearing completion. A top dressing has been applied to more than 40 percent of the crops.

In Stavropol Kray, the winter crops have entered the vegetative stage. Their condition is for the most part good. Of 1.8 million hectares, only 50,000-60,000 are in need of improvement work. The supplies of productive moisture amount to 120-200 millimeters. The kray's farms have commenced applying a top dressing to the crops.

In Rostov Oblast, the vegetative stage was noted during the third ten-day period in February. For the most part, their condition is either good or satisfactory. In some of the oblast's rayons, an increase in sparseness in the crops is expected as a result of frosts which occurred during the first half of January, owing to an absence of snow cover. Resowing and undersowing work is expected to be carried out on 150,000-160,000 hectares, compared to 300,000 hectares last year. At the present time, a top dressing is being applied to the crops using the ground method and also with the aid of aviation. A top dressing has been applied to approximately 400,000 hectares. A campaign is being waged against mice-like rodents. In rayons where flare-ups of fungus diseases and pests are expected, the crops are being treated with toxic chemicals.

In the Checheno-Ingush Autonomous Republic, the condition of the winter crops is good over the entire area. The winter crops entered the vegetative stage on 18-20 February. Of 141,000 hectares sown in grain crops, a top

dressing has been applied from aircraft to 85,000 hectares. On the remaining area, a top dressing will be applied using the root method.

Over a considerable portion of the Povolzhskiy, the southern Tsentralnyy, the Volgo-Vyatskiy and the north-eastern Tsentralno-Chernozemnyy rayons, an increase in sparseness in the crops is possible on an area of almost 500,000 hectares. This is associated with the fact that during the first half of January the minimal soil temperature at the tillering node depth fell to minus 18 degrees. In the process, the height of the snow cover did not exceed 5 centimeters.

Unfavorable conditions for the wintering of the winter crops were experienced over a large portion of the Severnyy and the northern part of the Volgo-Vyatskiy rayons. Here, in December, a high snow cover was recorded on weakly-frozen soil. In these rayons, as a result of damping, the winter crops are in poor condition on roughly 300,000 hectares. It was for this same reason that an increase will take place in the area of sparse crops in the western portion of Uralskiy Rayon (Bashkir ASSR and Orenburg Oblast) and in some areas in Tyumen Oblast.

Throughout the RSFSR as a whole, poor conditions for the winter crops, with a sparseness of more than 50 percent, are expected on 2.1-2.7 million hectares, or almost on 1 million hectares less than in 1989. In many rayons, the farmers have displayed concern for the fate of their harvest as far back as autumn. A top dressing has been applied to the crops over considerable areas.

A top dressing of nitrogen fertilizer should be applied to all of the crops during the spring period. Simultaneously with the top dressing and in those areas where such treatments are needed, retardants should be applied to combat lodging, and fungicides should be employed against fungus diseases. Many farms have shown timely concern for this impending work and have thus stored away the needed fertilizers and chemical means for combatting pests and diseases.

In the southern rayons, the farms have already commenced tending the crops. In other rayons, the harrowing work should be started immediately, to the extent that this is possible. This method will make it possible to destroy the soil crust, remove dead and damaged plants and also weeds which serve as centers for the spread of pests and diseases.

The farms must be prepared for the resowing and possible undersowing of the winter crops. Thus a need exists for maintaining the equipment and seed in a state of readiness, such that all of the work can be carried out during the best periods.

Importance is attached at the present time to ensuring that the kolkhozes and sovkhoses intensify their work aimed at accumulating moisture out on the fields. This must be done owing to the fact that the forecast for 1990 indicates that it will be a complicated year for agricultural production. Strong drought conditions are expected in the European

part of the republic and in the grain regions of Siberia, with the exception of its central portion.

At the present time, the kolkhozes and sovkhoses must be prepared for extreme conditions during the vegetation period and they must outline a complex of measures needed for reducing the adverse consequences.

A most important direction to be followed when cultivating the soil in the future under conditions of insufficient moisture is that of minimizing such operations—reducing the number and depth of the cultivations, combining several operations into one production process and replacing some of the mechanical treatments by chemical ones. Ideally, spring plowing should be rejected and special attention should be given to the introduction of moisture conserving soil cultivation work and, it goes without saying, to preparing the agricultural equipment for the forthcoming field operations.

#### Ukrainian SSR

This year, winter grain crops are being grown on 8.7 million hectares throughout the republic. In addition, large areas are occupied by winter crops for green feed, rape and perennial grasses.

It is pleasing to note that their condition is mainly good and satisfactory. According to preliminary data, reseeding must be carried out on 400,000 hectares or 5 percent of the sown areas, involving mainly late sowing periods.

Just as was the case last year, the wintering will take place under a raised temperature regime and inadequate supplies of deep moisture. The winter crops have entered the vegetative stage over a large portion of the republic and this has lowered the sugar content in the plants by 2-3 percent, it has changed the ratio of mono and poly-sugars and thus it has lowered their winter hardiness. This is alarming, since there is still the threat of the cold weather returning. Overgrowth in the crops, especially in those sown early, is being observed in the southern oblasts. A considerable number of fungus diseases and other pathogenic microorganisms have accumulated in the overgrown and overcrowded crops and they are highly infested by mice.

As a rule, an early resumption of vegetation promotes an increase in bushiness, growth in the amount of ground bulk and unproductive use of soil moisture, which under conditions involving a deficit of moisture can affect substantially the yield.

Thus all methods for tending the crops should be directed towards conserving and ensuring the efficient use of moisture. This fact must be borne in mind when determining the schedules for applying top dressings and dosages of nitrogen fertilizer. Well developed plantings are fed at the end of the third stage using the root method, but at no time should it be done on frozen or partly thawed soil. Nor should an incomplete norm be employed, as is sometimes done by certain specialists in an effort to reduce their anxieties.

In the existing situation, the most important moment is that of determining the results of the wintering period for the winter wheat and the need for resowing or undersowing the plantings. This requires a thorough study of all crops and a determination as to which of them are in need of improvement work.

Under the conditions imposed by an early spring, the role played by resowing declines sharply and, conversely, greater importance is attached to undersowing, that is, filling in the sparse winter crops with spring crops.

On commodity plantings, with a density of less than 250 non-bushing plants, wheat should be undersown with oats or barley at a norm of 3 million seed per hectare. Undersowing with oats is more effective on sloping or eroded soils in the Pridnepir region. This agricultural method can be employed when the air temperature is plus 2-4 degrees, that is, as soon as it is possible to move out onto the fields. On chernozem and dark-grey forest soils (more fertile), the best results are obtained with an undersowing of barley, which is carried out when the soil warms to 5 degrees.

It should be borne in mind that following such predecessor crops as corn for silage and buckwheat, especially where the field preparation work was carried out using the surface method, the soil becomes strongly packed. In order to raise the effectiveness of undersowing and the quality of seed placement, the fields should ideally be harrowed using heavy harrows prior to the commencement of this work. This measure should be carried out in a non-stereotyped manner, with a determination being made as to the need for carrying it out and the type of implement to be employed in each specific instance.

In the case of seed production sowings, the improvement work (undersowing) should be carried out using millet. However, this operation should ideally be carried out considerably later (following the application of herbicides and warming of the soil to 12-15 degrees).

In the steppe and forest steppe zones and on the more coherent soils of the forest zone, resowing or undersowing should be carried out using barley, which can ensure an increase in yield on the order of 8-10 quintals and higher and with timely resowing—the yield will form at the level for winter crops following non-fallow predecessor crops. Modern varieties of barley of the intensive type ("roland," "romantik," "odesskiy 115," "donetskiy 9," "podolskiy 24" and others), according to data furnished by the republic's Gosortoispytaniye [state strain testing] committee, provide a yield on the order of 45-55 quintals per hectare, with the maximum level reaching 60-70 quintals.

Timely resowing or undersowing of biologically close grain crops must become a required measure and one which ensures high productivity in the absence of a substantial disruption in the alternation of crops in a crop rotation plan. If the optimum sowing periods for early spring crops were overlooked, the resowing of winter crops must be carried out using millet, corn or

buckwheat. In a crop rotation plan element which includes sugar beets, the resowing should be carried out using only barley.

In the steppe zone, especially on areas having an inadequate supply of productive moisture, the sowing should ideally be carried out using corn, which utilizes more effectively the precipitation which falls during the summer period.

Another equally important measure is that of applying a nitrogen fertilizer top dressing to the winter crops. In the case of an early resumption of vegetation, the role played by nitrogen fertilizers declines substantially as a result of the longer duration of the developmental stages of the winter crops. Applications of nitrogen fertilizer are not considered advisable for winter wheat that has not bushed out, since they will stimulate excessive tillering.

Data accumulated over a period of many years on air temperature conversion falls through zero degrees by 18 March and through 5 degrees by 7 April. It is logical to assume that the sun's low position over the horizon does not ensure a considerable increase in the temperature regime. Thus, given this year's conditions, the winter wheat will bush out for a considerable period of time and a portion of the shoots which develop in the spring will turn out to be productive, that is, they will furnish ear-bearing stalks. At the present time, a top dressing should be applied to plants which were sown late and have two leaves. In the case of such sowings, the nitrogen fertilizer norm must not exceed 1 quintal of ammonium nitrate per hectare. Use must not be made of the RMG-4, RUM-5 or RUM-8 machines for applying nitrogen top dressings to winter wheat—they cause more harm than good. The use of agricultural aviation is undesirable owing to the unfavorable ecological situation. For the purpose of applying a top dressing to weakly developed wheat, use should be made of NRU-0.5 or NRU-0.6 machines, which ensure uniform placement of the mineral fertilizer.

The principal masses of winter wheat that have bushed out should be given a top dressing in the middle of April or towards the beginning of the third 10-day period of the month. The judgment should be as follows—the denser the wheat sowings, the later the top dressing. The approximate top dressing norm—1 quintal of ammonium nitrate per hectare. The top dressing should be carried out using sowing machines.

No effort should be spared in the interest of laying away supplies of the tur preparation, since under this year's conditions the use of retardants will be very effective. Concern must be displayed for ensuring that the farms are able to acquire the needed herbicides and fungicides, since the prevailing weather conditions are promoting not only growth in the winter wheat but also in the weeds. In addition, these conditions also further the development of powdery mildew and septoria spot.

**Belorussian SSR**

Of 224 samples of winter wheat taken last winter for growth purposes, 161 or 72 percent revealed complete aftergrowth. In the case of 60 samples, or 27 percent, up to 10 percent of the plants perished and this figure is within the permissible norms. It was only in three samples (1 percent) that 11-15 percent of the plants perished. Complete aftergrowth was noted in the winter wheat plants for all of the samples taken. Thus the condition of the winter wheat sowings throughout the republic does not constitute any cause for concern. Vegetation resumed throughout the republic's entire territory during January and February and not at the end of March or the first 10-day period in April, as is usually the case. We see definite advantages here. First of all, with a low plus air temperature the growth in a root system proceeds at a more intensive rate than growth in the above-ground bulk. Thus a good root system is formed. Secondly, development takes place in a slow manner. Favorable conditions are created for synchronous development of the principal one of the 2-3 side shoots. A good root system and synchronous growth serve to ensure a high potential productivity.

The negative side of early resumption of vegetation—increased consumption of the nutrients which were accumulated during the autumn months and reduced resistance against a sharp drop in temperature. And since frosts can still occur in March and April, the loss and thinning out of crops are still possible over large areas. The possibility of snow falling on thawed soil and growing plants is high. Under such conditions, the retention of snow cover for even a period of 2-3 days can result in the strong development of snow mould. An early resumption of growth during low temperature conditions can create favorable conditions for increased tillering in the winter crops.

Thus special attention must be given to the density of the crops. An increase in the coefficient of tillering under inclement weather conditions and a shortage of solar radiation can bring about lodging in the plants. This year, depending upon the density of the crops, a differentiated approach should be employed in selecting the nitrogen dosages for top dressing applications.

At the same time, the biological peculiarities associated with the growth and development of the winter crops and also the peculiarities of nitrogen transformation and migration in soils with different mechanical structures must be taken into account. As is known, the best period for the first nitrogen top dressing is the period of early spring growth in the plants, a time when the total amount of positive temperatures reaches 90-120 degrees. During most years, the total amount of such temperatures in the southern part of the BSSR occurs in late March or early April. And in the central and northern parts of the republic—at the beginning of the second and third 10-day periods in April.

It is roughly during this same period that the active runoff of water ceases and a balanced state of soil moisture is established in the plow layer. When top dressings are applied under such conditions, the nitrogen does not leach out from the plow layer and thus it is used more effectively by the plants. This year the conditions were such that the moisture in the plow layer over a large portion of the southern and southwestern territory of the BSSR was found to be in a balanced state. That is, the risk of a nitrogen loss caused by a descending flow is negligible and in the event of 30-40 millimeters of precipitation falling in March and April, it will equal zero for all practical purposes. In this regard, a nitrogen top dressing should ideally be started as early as possible—during the second half of March. When applying nitrogen in the first top dressing, one should be guided by the following:

Nitrogen should ideally be applied first of all on coherent soils. Thereafter, on soils of a more light mechanical structure. By observing these rules, it is possible to lower the risk of a nitrogen loss when precipitation occurs.

The nitrogen dosage in the first top dressing must be established based upon the level of soil fertility, that is, the content in the soil of readily assimilable nitrogen. Such data is not always available on the farms. Thus, based upon field tests carried out over a period of many years and depending upon the predecessor crops, it is recommended that the nitrogen dosage in the first top dressing be on the order of 40-60 kilograms (in active substance) per hectare for winter rye sowings and 50-70—for winter wheat. On crops of a later sowing (there was no bushing out in the autumn) and having a fewer number of plants per square meter (250-300), the nitrogen dosage must be higher and the period for applying it earlier.

If nitrogen fertilizer was applied to winter crops in the autumn, then a top dressing should be applied at the end of March or in early April and in the case of crops with a density in excess of 350-400 plants per square meter, the first top dressing should be eliminated or reduced to 20-30 kilograms per hectare.

When applying top dressings, use can be made of ammonium nitrate, urea and kas. All of these forms have the same agrochemical effectiveness.

The nitrogen fertilizer dosages for the specific conditions of a farm or field must be determined taking into account the biological peculiarities of the crop and variety, the yield level planned, the nutrient content in the soil, the type of predecessor crop and the degree to which it is satisfied by organic fertilizers and also the mechanical structure of the soil. A role must be played here by soil and plant diagnostics.

The use of nitrogen fertilizer on 2-3 occasions, in combination with growth regulators for the purpose of raising plant resistance against lodging, will be extremely effective this year. A great amount of attention must be given to uniform

applications of nitrogen fertilizers when applying top dressings. It bears mentioning that on depressed loamy and clay soils, especially in Vitebsk Oblast, stagnant thaw water is being observed. It must be drained off immediately in order to avoid retting of the plants.

Special importance is being attached to harrowing the winter crops in the interest of ensuring the placement of

the mineral fertilizer in the soil, improving the soil's water and air regime, promoting the development of microbiological activity in the soil and most important—lowering moisture losses. Harrowing must also be carried out for the purpose of removing the dead plant bulk destroyed by snow mould. It promotes good aeration of the soil and upper pre-soil layer and a reduction in the development of diseases.

**POLICY, ORGANIZATION**

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**New Approach to Unfinished Construction Problems Outlined***904C0005A Moscow EKONOMIKA STROITELSTVA in Russian No 2, Feb 90 pp 77-84*

[Article by R.M. Merkin, doctor of economics sciences: "What Is Happening With Our Unfinished Construction?"]

[Text] Among the most painful problems associated with the vicissitudes of operating in the investment sphere, one of the central ones is the unjustified and uncontrolled growth of unfinished construction.

Its causes have been studied rather completely and are well known.<sup>1</sup>

Clearly, the time now has come for actions that require the use of authentic information about the actual state of affairs in the area being examined.

According to USSR Goskomstat [State Committee for Statistics], unfinished construction at the start of 1989 was 158.3 billion rubles for state capital investment alone (not counting work done outside the plan), or 83.9 percent of the capital investment assimilated for the past year, 1988, and 81.5 percent of the amount of capital investment planned for 1989.

A number of natural questions arise: is there much or is there little; how much unfinished construction is objectively necessary for the normal functioning of construction operations; and what is the normal dynamic for capital construction volume and for the introduction of fixed capital and unfinished construction under structural restructuring, especially if one considers the objectively perceived necessity for a sharp shortening of the investment cycle, including the construction cycle, both in the production and nonproduction spheres, where actual construction time for putting facilities into operation exceeds on the average the established construction-time norm 1.4-fold to 1.9-fold?

I would like to note right off one little-noticed circumstance: where there are large amounts of unfinished construction (which exceeds more than 4-fold unfinished construction in the U.S.), we do not have in most branches and construction organizations normal construction backlogs of completed work with that degree of construction readiness that will enable facilities to be introduced on time and in a steady fashion.

Together with the practice of the late outfitting of phases due for early startup that has prevailed recently, this leads to the overwhelming bulk of production facilities being scheduled for introduction into operation at the end of the year.

Here, for example, are the data that describes not even the real but the planned distribution of facilities on state order that are subject to introduction in 1989.

In 1989, out of 369 production-type facility phases on state order that were due for startup in advance, only 42 (11 percent) were to be put into operation in the January-September period of this year. The overwhelming portion (89 percent) were to be introduced in the fourth quarter under the plan, which foreordained beforehand not only enormous stress, peak workloads, crash work, and an increase in operating expenses of the organizations involved, but also a substantial probability of failure to introduce the phases on time.

From our point of view, the question as to which parameter should be the focus of attention in monitoring the investment process—the front over which construction is being accomplished simultaneously, the status of the backlog of completed work, or the status of unfinished construction (which reflects the results of the interaction of the two most important independent components: the amount of capital investment and the introduction of assets into operation)—still has not been thoroughly cleared up at all, either in economic theory or in management practice. The main efforts to normalize the investment sphere are still being linked with the monitoring of unfinished construction (by analyzing it, setting standards, planning, introducing payment for above-standard unfinished construction, and so on).<sup>2</sup>

Within the framework of this article, there are three groups of problems that need social clarification, in our opinion:

- the status (authenticity) of the information about unfinished construction that we are using;
- an assessment of the above-standard amounts of unfinished construction; and
- the measures necessary for refining the standards for unfinished construction because of the establishment of payment for above-standard amounts of unfinished construction.

**Authenticity of Information About Unfinished Construction**

The capital construction sphere is still touched but little by the wide expansion of democracy in information. Appreciable steps forward in the publications of statistical organs for purposes of clarifying the true essence of the many processes that are occurring and of supplying the scientific community with authentic information still are not visible.

At the same time, it is becoming clear that, in regard to many of the problems (construction-cycle time, amounts of unfinished construction, an evaluation of the reliability of performing many planning tasks, calculations of expected plan fulfillment, and others), the consultants' evaluations, which are made by independent specialists, at times prove to be more accurate and reliable than the official statistical information.

Let us point, for example, to a clear atypicality in the choice of construction time for facilities that is cited in the collection, "Kapitalnoye stroitelstvo" [Capital Construction] (1987). This conclusion touches fully on the state of affairs in unfinished construction.

Above all, I would like to cast doubt on the data about the absolute amounts of unfinished construction throughout the country. I will note right off that if the matter is examined from formal standpoints, then the statistical organs here are irrelevant: they just conscientiously consolidate the information that comes in from the field.

Selective checks and surveys conducted in certain economic regions, as well as the results of logical analysis, indicate that the unfinished construction that is entered on the books of clients and construction organizations includes much padding in the amounts of work that have been accomplished by the builders in pursuit of a wage that is not always earned.

Thus, for example, an inventorying and purging of expenditures that were included in unfinished construction conducted in the Georgian SSR (which were by no means complete and did not include all trusts) led to the writeoff of expenditures that were fictitiously included in the "nezaver-shenka" [unfinished construction] in the sum of about 60 million rubles, while the annual program for B-type operations of the Georgian SSR Ministroy [Ministry of Construction] was about 400 million rubles.

And the results of bank monitoring lead to a similar conclusion.

Therefore, the first step on the road to normalizing unfinished construction is that of completely inventorying it. This is especially important because of the conversion, beginning on 1 January 1990, to settlements with clients for a finished construction product.<sup>3</sup>

It is also desirable to examine the status of information about the dynamics of unfinished construction, the base indicators that predetermine it, and the dimensions of above-norm unfinished construction.

The growth indicators for introducing fixed capital into operation and the amounts of capital construction and unfinished construction changed as follows in 1986-1988, according to the data of statistical organs (table 1).

Table 1

	1988 in relation to 1986*	
	Increase, billions of rubles	Percent
Introduction of fixed capital into operation	11.6	107.6
Amount of capital investment	22.5	113.5
Amount of unfinished construction	25.8	119.5

\*State capital investment, less above-plan and outside-the-plan investment

As can be seen, the pace of increase in unfinished construction exceeds considerably both the rate of growth of fixed capital being introduced and the rate of growth of capital investment.

At the same time, the clear disparity of the dynamics of the absolute indicators invites attention: according to the logic of events, if capital investment grew 22.5 billion rubles, then the maximum growth of unfinished construction cannot be higher than this amount. Meanwhile, the introduction of 11.6 billion rubles' worth of fixed capital in 1988 exceeded the amount of it introduced in 1986. Apparently, some kind of internal, structural factors that remain unexplained have affected these dynamics. In any case, it is simply true that this information must not be used as data for analytical or planning calculations.

It is not understood: where does the excess amount of unfinished construction, which does not follow from direct computations, in the amount of 25.8 - (22.5 - 11.6) = 14.9 billion rubles, come from? The situation is aggravated by the fact that, according to the statistical data for this period, the writeoff of unfinished construction was 8.3 billion rubles.

#### Above-Norm Amounts of Unfinished Construction

The information about the amounts and dynamics of above-norm unfinished construction that is being published by the statistical organs meets with especially serious rebukes.

Judging by USSR Goskomstat data, the state of affairs in this area is described by the parameters (on state capital investment) cited in table 2 (in billions of rubles).

Table 2

	Standard amounts of unfinished construction	Actual amount of above-norm unfinished construction
1986	123.4	9.1
1987	130.3	8.2
1988	136	18.7

If the standard is related to an actual object of capital investment (the only valid methodological technique, because a correlation of the standard with a planned amount, which is not satisfied regularly, is a deliberate embellishment of the true state of affairs), then the amounts accepted by USSR Goskomstat in calculating the norms for the years being examined are: 1986—74.3 percent, 1987—73.9 percent, and 1988—72.4 percent.

This proves that even now we continue to use norms for unfinished construction that were worked out in 1984 without any appreciable correction.

Meanwhile, after these norms were developed, the following significant changes occurred in capital construction:

- in 1985 new patterns for construction time were approved (with supplements of ensuing years), in which, on the average, the standard construction time was shortened by 14-15 percent;
- during 1986-1988, sharp changes occurred in the branch's capital-investment structure. A reorientation of the investment sphere and a strengthening of the social purposefulness of capital investment led to a change in relationships between production and non-production construction, and, within the production sphere, to a sharp increase of investment in group B branches. It is obvious that these changes will lead (unambiguously, moreover) to a reduction of the standard for unfinished construction, for the share of construction projects with shorter standard construction periods in the total amount of capital investment will increase; and
- the reproduction structure of capital investment also has been changed considerably. Orientation to a reduction in new construction and an accelerated updating of existing enterprises by rebuilding and reequipping them have resulted during the period being examined in the share of reconstruction work in total production-type construction rising from 43 percent in 1986 to 49 percent in 1988. Since rebuilding and reequipping are accomplished in a much shorter time than new construction, this factor also should have effected a reduction of the standard for unfinished construction.

Data published by statistical organs and used widely by central economic agencies to the effect that at the end of 1988 the amount of above-norm unfinished construction was 18.9 billion rubles clearly were understated and do not reflect the objective, actual state of affairs.

According to our evaluation, the minimum size of above-standard unfinished construction approaches 30 billion rubles (prior to the purging of writeoffs from these figures, naturally).

Still another fiction from which we should disentangle ourselves as quickly as possible is the method of correlating the norm and the fact. For the moment, the standard is correlated with the total amount of capital investment. Meanwhile it is obvious that expenditures for equipment that were not included in the project's budget estimates for acquiring rolling stock for transport, for construction and agricultural machinery and mechanisms, and so, the introduction into operation of which does not require the creation of backlogs of accomplished work, should be excluded from this amount. Such an approach will yield a much more visible picture of the true state of the problem being examined.

#### Measures Necessary for Refining the Standard for Unfinished Construction

It is perfectly obvious that if we want at all to control consistently the process of normalizing unfinished construction, we must have realistic norms for unfinished construction for 1990, and also for the coming years of the new five-year plan, that will correspond to modern reproduction conditions, the contemporary structure of capital investment, and the construction-time standards.

Hopes for a stable standard for unfinished construction (for 5-6 years) clearly are unrealistic during the radical restructuring of investment activity and major shifts in the branch and reproductive structures of capital investment, the mothballing of a portion of the facilities under construction, and other changes.

Let us point out once again that the standards for unfinished construction that currently exist and are used by the statistical organs do not consider major changes in the branch structure of capital investment that occurred during 1984-1989, or the rise in the share of reconstruction work in the total amount of capital investment, as well as the new norms (in 1985, with 1986 supplements) for construction time.

All the above-named factors have reduced the size of the standard, at a time when we are making use of the old, overstated norm, which clearly is impermissible.

There is, however, still another important argument in favor of a most rapid reexamination of the standards for unfinished construction. For a long time this indicator was being used basically for analytical purposes and it was, if you will, a moral imperative that was not built into the actual management mechanism.

Right now the state of affairs is changing radically. USSR Council of Ministers Decree No 809 of 30 September 1989, "Certain Measures for Improving the State of Affairs in Capital Construction," established that ministries and agencies in which there is above-standard unfinished construction for construction projects that are being executed through state centralized capital investment and centralized funds of ministries or agencies, will make payments into the budget from their own resources in the amount of 6 percent of the amount of above-norm unfinished construction at the start of the current year.

This means that an unreliable determination of the amounts of the unfinished-construction norm will begin to have an effect on real mutual economic relationships, predetermining also the amounts of payment into the budget.<sup>4</sup>

Meanwhile, the standards for unfinished construction for the ministries and agencies in regard to the composition of capital investment and to the taxlike payment for above-standard unfinished construction (that is, in regard to the group of projects that are being executed through state centralized capital investment and the

centralized funds of ministries and agencies) have never been considered at all and have not been approved.

Therefore, realistically, a mechanism for making payments into the budget for above-standard uncompleted construction can be effected only after these new norms have been developed. One of the added difficulties of developing them as a firm norm is the ratio of capital-investment financing sources, which has been changing sharply recently, as can be seen from the data of table 3 (in percent).

Table 3

	1988, reported	1989, planned	1990, plan pro- jections
Amount of state capital investment, total	100	100	100
State centralized capital investment	60	54	47
Noncentralized capital investment	40	46	53

It is natural that such a reduction in the share of state centralized capital investment will involve also a change in the composition thereof, which inevitably will affect also the standard for unfinished construction.

In considering what has been set forth, it is desirable, as quickly as possible:

- to refine the methodology for computing the standard for unfinished construction for the following levels: the branch of industry (or the subbranch), the ministry (or agency), the Union republic, and the production association;
- to organize the computation of standards that are oriented to the capital-investment structure planned for 1990 and the structure being designed for the first years of the next five-year plan;
- to make a thorough, independent, and objective consultants' review of these standards, bearing in mind the

natural motivation of the ministries and agencies to overstate this standard where an interest-charge payment is to be made for unfinished construction; and

- to approve standards for unfinished construction and, along with that, to allocate, for 1990, funds for conducting serious scientific study of the question of the methods and paths for normalizing the investment process, based on monitoring the construction-work front being worked on simultaneously and the backlogs of accomplished construction work.

Such an alternative approach can create an important scientific base for well thought out long-range solutions.

Footnotes:

1. A detailed analysis of the causes of the constant creation of unfinished construction above the standard was set forth, in particular, in Yu. N. Golub's article (EKONOMIKA STROITELSTVA, No 9, 1989), in papers on improvement of the economic mechanism (EKONOMIKA STROITELSTVA, No 10, 1989), and in a number of other issues of the journal.

2. In the author's opinion, the most effective measure for normalizing is monitoring the front of construction work being done simultaneously, in combination with rational planning of the backlog of accomplished work.

3: This work should not be identified with the inventorying of unfinished construction of production-type facilities that is called for by the USSR Council of Ministers Decree No 809 of 30 September, the framework of which does not propose a comparison of the physical amounts of work.

4: Here we do not touch on the matter of the principle of the desirability of pumping funds from one state organ into another as a way of restricting the investment activity of ministries and agencies.

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## POLICY, ORGANIZATION

### Leningrad to Issue Special Cards for Deficit Goods Purchase

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in Russian 10 Jan 90 Second Edition p 1

[Article by A. Molokov: "An Urgent Dispatch from Our Correspondent: To the Store with a Card"]

[Text] A joint session of the Leningrad city and oblast soviet of people's deputies decided to temporarily institute a system of selling some food products and manufactured goods based on cards.

It was hard for the deputies to decide on this unprecedented measure. The debate was heated and quite polemical. While Leningrad has never been a consumer paradise, it used to be a center where residents of neighboring oblasts and the entire Northwest came to buy things they could not find at home. People came to Leningrad for food and staples, and it became something of a tradition. In principle, Leningraders did not object to visitors coming to their city solely to shop. Strictly speaking, Leningrad itself lived largely off shipments from neighboring regions.

Recently, however, the stability of the state consumer market in Leningrad has declined dramatically. Supplies were disrupted and supply agreements with other regions of the country failed in terms of timeliness of deliveries and quantities supplied. This caused serious disruptions in trade and heightened demand for some types of goods. In a very short time, stores emptied out not only of sausage but of many other kinds of goods as well. The situation worsened, particularly at New Year's. Never before had Leningrad greeted a new year with empty shelves at food and consumer goods stores, crowds storming retail outlets and long lines for the bare necessities. As a result, various abuses increased unbelievably and speculation assumed catastrophic proportions. Only extraordinary measures taken by municipal authorities on the eve of the holiday diffused somewhat the situation in the consumer market.

But 1990 has brought no relief to Leningrad. Regional economic accountability has come into play, primarily in the Baltic. For instance, in the first quarter Latvia suspended all deliveries of meat and meat products to Leningrad and Estonia cut them by half. In addition, the Baltic republics took a number of steps, with consequences being quickly felt in the Leningrad market. For instance, the price of beer was doubled in Estonia, tobacco products were raised 1.5 times and alcoholic beverages 20 percent. This prompted Baltic residents to flood into Leningrad looking for cheaper goods.

The Tallinn highway is now clogged by cars with Estonian tags. Spot checks conducted by the highway police and the Department for Combatting Theft of Socialist Property showed that people began to ferry from Leningrad everything that was profitable to sell across the

Narva river. The following are excerpts from reports filed by the police: "100 kilos of sausage seized"; "2 cases of vodka" and "8 tons of mandarin oranges." According to these spot checks, over R200,000 worth of goods was taken out of Leningrad in just two days.

One regrets that authorities in that republic did not warn the Leningrad soviet of those measures in advance, if only out of neighborly concern.

This situation raised the issue of protecting the Leningrad consumer market. This was the purpose of the joint session. Your correspondent contacted O.V. Shishkin, deputy chairman of the city ispolkom, and asked him to comment on the decisions made at the session.

"Selling goods based on special cards, strictly limiting quantities allowed to each customer, seems to be the best acceptable solution. Actually, there have been proposals to introduce rationing coupons for some food items, as it is done in a number of oblasts in the Russian Federation. However, a coupon presupposes guaranteed consumption of a certain quantity of goods. Unfortunately, we cannot give such a guarantee, due to disruptions in deliveries. In addition, we cannot stockpile goods for the future: there is a severe shortage of warehouse and refrigerator capacities in Leningrad. This is why we chose the card system.

"I want to stress that such cards will be the same for residents of the city and the oblast. Those who come to Leningrad on business, on tourist trips or as transit passengers will get goods in quantities sufficient to make dinner, and those who stay for over three months will get temporary cards. I think it is necessary to stress that many country stores located near the border with other oblasts are used by residents of nearby villages of Pskov, Novgorod and Vologda Oblasts and Karelia. I think those people should continue to be able to shop there under the new trade system.

"The system will be in force starting February 1. Until then, a passport will be required to purchase deficit goods. Starting tomorrow, this system comes into effect for the purchase of meat and meat products, tobacco, cheese, butter and citrus fruit.

"Among manufactured goods, the new system will cover furniture, refrigerators, radio electronics, electric appliances, furs, bed linen, cosmetics, children's goods, knitwear, leather shoes, etc. The session decided that city and oblast soviet ispolkoms should be able to increase or reduce the number of goods on the list and to change the established limit per consumer."

### Reaction To Leningrad's Special 'Vizitka' Distribution Cards

904D0045A Moscow SOVETSKAYA ROSSIYA  
in Russian 16 Jan 90 Second Edition p 4

[Article by V. Pyankova, Novgorod: "Dissension Over 'Vizitka' Distribution Cards"]

[Text] However poor the supply situation was in their native city, the residents of Novgorod were always aware that when the need arose they could make a trip to neighboring Leningrad. Three hours to reach it and three hours back—a mere trifle when it came to having to feed one's family. Of the 17,000 tons of meat shipped annually from Novgorod Oblast for the union-republic fund, 10,000 were for Leningrad. And generally speaking, the lion's share of the agricultural products produced in the oblast traditionally is exported. The local residents have long been displeased with this situation. But up until now they have been aware of the country's food situation and have not grumbled excessively. Rather they procured their products the best way they knew how.

The introduction in Leningrad of vizitka distribution cards for the purchasing of food products brought forth a sharp reaction among the residents of neighboring oblasts in Russia, including Novgorod Oblast. In accordance with a demand by the local population, a joint session of the Novgorod oblast and municipal soviets was convened. Various proposals were made for neutralizing the problems which have arisen. This included—terminating deliveries of meat products to neighboring areas and the introduction of food cards within Novgorod Oblast.

"The introduction of cards will not increase the quantities of goods on counters in our stores," stated the chairman of the council for the labor collective of the Start Production Association, B. Rak, thereby displaying his disagreement with the proposal. "And if we reduce our deliveries of products to Leningrad, its response will be to cut off our supply of some other product."

"You ask me about cards? I know that I do not want them," stated a worker at the Plant imeni Leninist Komsomol, A. Sinitsyn. "The population of our oblast is becoming more city-oriented, owing to the unsettled nature of the rural areas from a social standpoint. Once the residents of Leningrad are allowed to distribute livestock husbandry products, then subsequently they will participate in the development of our rural areas. And generally speaking we are all Soviet people and thus nobody wishes to offend or infringe upon the interests of anybody else."

USSR people's deputy V. Trofimov proposed the abolishment of the decisions handed down during the joint session of the Leningrad Oblast and municipal soviets by means of the parliamentary method. It is his belief that the principle of social fairness in the distribution of food goods should be realized through the republic's government. The time has come to establish for the oblast a constant, albeit not so high, percentage of meat and dairy product deliveries for the union-republic fund.

During the joint session, appeals were heard asking that the residents of Leningrad and Novgorod avoid a confrontation arising from poorly thought out decisions, particularly those handed down when searching for a solution for this complicated economic situation. It was

mentioned that the intensification in the production of agricultural products is proceeding slowly throughout the oblast. Nevertheless, the figures are impressive: ranked 34th in the republic in per capita production of meat, Novgorod Oblast is at the same time ranked 88th in meat consumption.

The session adopted a decision to send foot-messengers to Moscow and the central governmental organs of the country and republic—for delivering to these levels the appeal made by deputies to the Novgorod Oblast and municipal soviets.

The appeal contains no ultimatum and yet it is written in black and white in the session's decision: if the oblasts do not increase the funds for products, it will become necessary to reduce the deliveries of meat and dairy products for the all-union and republic funds in 1990.

A question arises in connection with the unprecedented situation that has developed in the northwestern region of Russia: by whom and how is the adoption of such decisions being coordinated in the various areas? Indeed, it was clear earlier: the conversion of the Baltic republics over to cost accounting will inevitably bring about economic problems in neighboring republics and oblasts and thereafter the troubles will expand even farther. Nevertheless, no measures aimed at preventing negative results were undertaken anywhere or by anybody. The lack of foresight by those economists who were expected to stabilize the situation in the face of any and all unexpected developments produced tension in an area where it had never been noted earlier—between the residents of neighboring oblasts in Russia.

### **Leningrad Consumer Shortages, Solutions Examined**

904D0055A *Leningrad LENINGRADSKAYA PRAVDA in Russian 18 Jan 90 p 2*

[Interview with Yu. A. Maksimov, first deputy chairman of the executive committee of the Leningrad Soviet of People's Deputies, chairman of the Leningrad City Agroprom, by Yu. Shum: "Visiting Cards?... This Is the Only Way Out!"; date and place not specified]

[Text]

[Correspondent] The new decree of the executive committees of the Leningrad Soviet of People's Deputies evokes a feeling of bitterness and hopelessness in many people. In one way or another, when discussing the introduction of the "temporary procedure of sale of individual foodstuffs and industrial goods on the basis of special visiting cards" in Leningrad, we must realize that this is primarily a matter of social justice. The system of cards and of a strict rationing of necessities—is it not evidence of the complete bankruptcy of the entire previously conducted "strong social and economic policy"? The people of Leningrad are by no means indifferent: Is the way out of the situation that has been created the only one possible?

[Maksimov] In order to be consistent, let us recall that not very long ago we were indignant at the coupons for sugar and called the rationing system humiliating, but later we ourselves demanded that it be applied to other scarce goods. I have letters in my hands. "We are tired of going through empty stores, of enormous lines, and of fruitless expectations that the situation will change for the better." "We ask that the sale of industrial goods and foodstuffs according to registration be introduced in Leningrad and the oblast, as is done in the Baltic republics." No two or three signatures are under these lines. Collectives of many thousands of people at the Svetlana Association, the Leninskaya Iskra Plant, the Leningrad Igrushka Production Association, the Leningrad Vektor Scientific Production Association, and the Severny Press Plant are behind them.

Probably, many people still remember the "wine mutiny" in Sverdlovsk before the New Year. The lack of alcohol in the central store was the reason for it. However, did it concern vodka alone?

[Correspondent] It is commonly thought that the people of Leningrad are noted for special discipline and fortitude of spirit. However, you will agree: The introduction of visiting cards attests not only to the "effectiveness of our social policy"—they degrade the dignity of the people of Leningrad. And I repeat the question: Is the decision by the session of the executive committee of the Leningrad Soviet of People's Deputies the only way out of the situation that has been created?

[Maksimov] Today, yes, the only one.

The disruption in regular deliveries of raw materials from the country's other regions is one of the basic reasons for the food crisis in the city. The Baltic republics especially let us down. They accounted for more than one-third of the total volume of deliveries.

The second reason lies in the organization of trade. For decades the entire system—not individual enterprises, not specific workers, but precisely the trade system—consciously oriented its structure, normatives, and intentions toward its own benefit exclusively, not toward the population's interests.

Today trade considers the sale of goods based on travel to enterprises—it will not be necessary to stand in lines—the optimal (and, of course, also a temporary measure). Yes, with respect to lines, this is indeed so. However, small—but numerous in our city—enterprises, organizations, schools, kindergartens, medical institutions, and others inevitably suffer under such a distribution. Furthermore, sale based on travel often is one of the methods of self-provision by trade workers themselves.

And so, the system of orders, no matter how advanced it may seem today, can justify itself only with constant and uncompromising control. Who will provide it? Trade itself?

[Correspondent] I doubt this... However, as you yourself said, the main problem, nevertheless, is the production of goods. The roots of our troubles lie precisely in it, not in distribution. Who, for example, prevents your agroprom from improving the situation with products?

[Maksimov] The residual principle of distribution was especially reflected in Leningrad's food industry. The technological equipment of meat, dairy, and confectionery sectors, which has been in operation for more than 15 years, has become obsolete and worn out. The Second Meat Processing Plant and the Krasnaya Bavariya Beer Plant are in a state of emergency and are subject to closure. There is a shortage of equipment for milk processing, cottage cheese production, sour cream packaging, and pouring milk into "pure pack" cartons and of lines for the production of sterilized products and diet food. Some enterprises are located in buildings absolutely not adapted for production—on the premises of a former church and of dwelling houses. Add to this the fact that the low production level inevitably is aggravated by the problem of labor resources.

Radical changes in the production of food products are possible provided there is additional financing, including in foreign currency. As of 1 January 1988 all our enterprises operate on a cost-accounting and self-financing basis. However, cost accounting has only complicated the situation. Profit (income) distribution normatives established by the USSR Gosplan method ensure neither the financing of the necessary rates of retooling nor the proper economic interest on the part of labor collectives.

Judge for yourself: Only 25 percent of the profit throughout the agroprom remains at the disposal of enterprises and even less than that—5 or 6 percent—at some of them. Our enterprises have the lowest wages among all industrial sectors. Whereas throughout the country they total 237 rubles per month, at enterprises of the Leningrad City Agroprom they are only 160 to 190 rubles. There is no domestic equipment for production renewal—no one produces it. We hope for conversion, but so far this is no more than a word. Currency for the purchase of imported equipment would be a realistic way now. In brief, the situation that has been created can be rectified only by common efforts.

[Correspondent] Excuse me, but, as I remember, last February the former chief of the Main Trade Administration also came out with such an appeal for "common efforts." Having predicted that in the provision with allocations the year 1989 would be better than previous years, he mentioned support on the part of the Leningrad City Agroprom as the most important factor in this improvement. As is well known, however, abundance has not come and is not anticipated in the immediate foreseeable future. Well, all right, the union with trade has not succeeded... Then for the sake of what were enterprises producing meat, milk, and vegetables united with enterprises processing these products? In brief, for the sake of what was the agroprom established?

[Maksimov] In fact, many people now think that the Gosplan and the Gosagroprom in the person of their kray and oblast committees, as before, "divide limits and allocations, control those who graze and sow, and completely take away products obtained by the sweat of one's brow."

However, let us look at facts. Three years ago the Leningrad City Agroprom began to strengthen the sector's material and technical base. As of now the fifth dairy combine has been introduced, the construction of a new beer plant in the Parna industrial zone is being completed, retooling is going on at the Leningrad Meat Combine and at the Second Sausage Plant, and confectionery production warehouses in Kolomyagi and vegetable storage facilities in Bugry have begun to accept products. On the initiative of the Leningrad City Agroprom business contacts are being established with a number of foreign firms for the purchase of imported equipment and the establishment of joint enterprises for the output of pastry, waffles, and candy.

In the end, it is a fact that the production of dairy products and sausages has increased. It is another matter that it is difficult to feed the city to satiety if, in addition to the usual allocations distributed for the Union, Leningrad is deprived of almost 40 percent of its goods, which are already on store counters. Approximately so much is taken away from it by nonresidents. In my opinion, this is one of the basic reasons for the introduction of visiting cards.

I will not hide the fact that there are many malfunctions in our work. But they would be fewer if our requests received attention at the proper time. For example, at one time we proposed that six motor vehicle enterprises of Lenavtotrans be turned over to our system in order to form a single system for the delivery of products with the responsibility of all the participants in the "conveyor" for the final result. We were turned down. But is it not evident now that this would have been a sensible step?

Agriculture really needs serious assistance—from the construction of small shops and facilities for the processing of meat-dairy and vegetable products and series output of highly productive machinery and agricultural equipment to the organization of patronage assistance for harvesting.

[Correspondent] From whom do you expect this assistance?

[Maksimov] First of all, from the collectives of industrial enterprises in Leningrad and the oblast, which should look at our common problems in a different way.

It is a matter of attracting the financial and currency resources of the city's enterprises and organizations on a compensatory basis, of ensuring technical assistance on the part of defense industry enterprises, and of guaranteeing priority in the construction of projects of the food sector. And, of course, in order that matters should move off dead center, it is necessary to revise the deductions from the profit of agroprom enterprises into the state budget with a reduction of up to 25 or 30 percent. As it

seems to me, these are precisely the immediate steps that can relieve tension in the food industry.

\* \* \*

Thus, the problem of "protecting" Leningrad's domestic market through the distribution and rationing of goods has been solved today. For some reason, however, one does not want to shout "hurrah." In order to really saturate the market with goods, a diverse combination of economic and administrative measures is needed. For the time being, the solution of Leningrad oblast and city soviets of workers' deputies represents a particularly administrative approach to the problem. But, alas, economic levers are still waiting for Archimedes. Even the Second Congress did not bring itself to touch them. Therefore, for the time being, first of all, coordinated actions of enterprises both within the region and in interregional deliveries, strict observance of state discipline, and mutual responsibility to each other can be the fulcrum for us.

### Co-op 'Lobbyists' Activities Decried

18200498A

[Editorial Report] Moscow SOVETSKAYA ROSSIYA in Russian for 25 February First Edition carries on page 2 a 2,300-word article by Yu. Vorobyevskiy and A. Golovenko entitled "The Crooked Orbit: Who Is Defending the Monopoly of Co-op Workers and Why?" People's Deputy V. Stepanov is reported to have told the authors that cooperative interests are represented so well in the USSR Supreme Soviet that at the second Supreme Soviet session in 1989 "lobbyists" hindered the review of major legislation aimed at revising the Law on Cooperatives.

Expanding on this, the writers charge that some journalists, scientists, and people's deputies have a direct financial interest in co-ops and therefore are motivated by considerations of personal financial gain in viewing any co-op legislation. This "lobby" is said to be headed by Academician V. Tikhonov and People's Deputy A. Sobchak, both of whom actively defended co-ops at the Supreme Soviet session, which led to rumors that they were financially influenced by them.

Furthermore, the authors assert that the present law allows co-ops to abuse the system and to take advantage of the public through money laundering and speculation. This is said to be especially true of middlemen-type cooperatives. As an example of the type of abuse that can occur when public officials have personal interest in cooperatives, the authors describe one incident involving a Riga co-op which agreed to supply seven ships and six submarines as scrap metal to a Polish firm and another incident where unnamed Council of Ministers personnel were allegedly involved with a co-op that tried to ship tanks outside the Soviet Union.

The authors conclude that cooperatives are not serving their intended purpose within the economy and call for US-type, anti-lobby legislation, which they say is desperately needed to prevent further abuses.

## ELECTRIC POWER GENERATION

**Effects of Energy Crisis in Georgian SSR Disclosed****Industrial Enterprises Closed**

904E0072A Tbilisi ZARYA VOSTOKA in Russian  
7 Feb 90 p 4

[Interview with Guram Dzhevakhadze, chief engineer of the Gosenergonadzor inspection center of the "Gruzen-ergo" Production Association, by Givi Mchedlishvili: "The Situation Is Critical"]

[Text] An alarming report has come in from the "Gruzen-ergo." Such a critical situation has taken shape in the republic's power engineering that the decision has been made to shut off electrical power to all main and energy-intensive industrial projects.

House-building combines, cement and brick plants, and certain other enterprises of the republic's national economy will be the only exception. Poultry farms and livestock raising complexes are also excluded.

"There is simply no other way out," says Guram Dzhevakhadze, chief engineer of the Gosenergonadzor inspection center of the "Gruzen-ergo" Production Association. "This was done for one single purpose—to ensure an uninterrupted supply of electricity to the population of the republic, the food industry, transportation, and municipal and everyday services facilities.

"This is all because our own hydro-resources were intensely consumed during the fall and winter, and now they are practically down to nothing. As far as supplies of electrical power from neighboring systems are concerned, another thing has added to the difficulties that existed earlier—the accident at the Azerbaijan State Regional Electric Power Plant [GRES], which was reported in the press yesterday. So, it turns out that whereas we were to receive 17 million kilowatt-hours a day, on 5 February, for example, we received only 5 million. On that same day we were forced to disconnect all large enterprises in Tbilisi from the network. These include such enterprises as an aircraft production association, an electric railcar repair plant..."

[Mchedlishvili] Last Saturday we participated in an unannounced investigation at the largest Rustavi enterprises. It turned out that the republic Council of Ministers decree of 29 January was not being carried out either at "Azot" or at "Khimvolokno".

[Dzhevakhadze] That is a deplorable fact. But now their situation has become even worse—both "Azot" and "Khimvolokno" will have to shut down completely, the same way the Zestafoni Ferroalloy Plant had to.

[Mchedlishvili] What is the situation in the republic as a whole?

[Dzhevakhadze] It is very, very tense. For the time being we are limited to local shutdowns on feeders from substations of "Gruzen-ergo" for almost all consumers for 2-3 hours. The only exceptions will be vitally important facilities. They, naturally, must operate.

But this is for the time being. Time will tell what will happen in the future.

**Energy Body Official's Interview**

904E0072B Tbilisi ZARYA VOSTOKA in Russian  
13 Feb 90 p 1

[Interview with Marlen Dzeneladze, deputy general director of the "Gruzen-ergo" Production Association, by GRUZINFORM correspondent: "In Emergency Conditions"]

[Text] "An emergency situation has taken shape. You could not characterize the situation that has developed any other way," is how Marlen Dzeneladze, deputy general director of the "Gruzen-ergo" Production Association, began his conversation with the GRUZINFORM correspondent. "On 5 February, we were forced to begin cutting off electrical power to the largest energy-intensive enterprises in the republic.

"Among them are the Zestafoni Ferroalloy Plant, the Kutaisi 'Avtomobilstroitel' Association, the Rustavi and Tbilisi 'Tsentrolit' plants, and the Tbilisi 'Elektros-varka' Association. As of 7 February, 18 industrial facilities in Tbilisi alone had been disconnected from power supply sources. Under these conditions, it is only possible to supply facilities of a vitally important sphere. I have in mind transportation, municipal services, food enterprises, and hospitals..."

[GRUZINFORM] All of this is the result of the accident at the Azerbaijan GRES?

[Dzeneladze] Yes, basically. After all, it is the largest producer of electrical energy in the Combined Energy System of Transcaucasia. In addition, the Armenian power engineers have exhausted their supplies of reserve fuel. Supplies of our hydro-resources have also reached the critical point. It is at the point now where we are experiencing a daily shortage of 10-11 million kilowatt-hours of electrical power.

[GRUZINFORM] Is there hope for assistance from someone?

[Dzeneladze] Neighboring power systems, namely the Russian and Turkish systems, have already begun transferring part of their power. Nevertheless, for the time being we cannot meet more than 75 percent of the requirements of the republic's national economy and population. Therefore, as I already said, priority has been given to satisfying the needs of the vitally important sphere. Here, too, however, it is necessary to observe the strictest economy. Counting on the consciousness of the republic's residents, we nevertheless have been forced to resort to daily shutdowns and are practicing

"light by timetable," so to speak. These scheduled shutdowns have been coordinated with the leaders of local soviets and should not create any special inconveniences for the population. As a rule, they last no more than 2 hours; in the event of unexpected shutdowns, we ask that you contact Gruzenergo directly, where a special operations staff has been set up, using these telephone numbers: 99-52-73 and 98-03-08.

[GRUZINFORM] How long do you predict that this situation will last?

[Dzneladze] We hope that the difficulties will end with the conclusion of the winter season, that is, by the end of March. The spring floods usually begin in the first days of April, and that means that the water supplies in the reservoirs of hydroelectric power plants will be replenished. It will become warmer, daylight will increase, and immediately the daily demands for electrical energy will reduce sharply.

#### **Experimental Wind Power Station Set up in Dagestan**

18220004A Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 11, Mar 90 p 3

[Unattributed article: "Throwing Money to the Wind"]

[Text] The USSR Ministry of Power and Electrification has worked out and confirmed a program for the construction of a wind-powered electric station in our

country. Dagestan has been chosen as one of the prospective regions for this program.

"The wind blows twice a year for us," joke the residents of Makhachkala. "For six months it blows from the sea to the land, and for the other six months it blows the other way."

As in any joke, there is more than a small share of truth here. Scientists have calculated that the strength of the wind stream on Dagestan's territory comprises on the average from 100-215 watts per  $\text{km}^2$ . As a whole, the republic's wind power potential exceeds by 10-fold that of hydropower. This is not insignificant; three mountain rivers and dozens of small streams flow through Dagestan.

Here, on the shores of the Caspian Sea, they plan to build an experimental wind-powered electric station with a capacity of 6 MgW. A republic commission is currently working to determine the precise site of this unusual electric station. A 20-hectare area will be allotted to it. Various types of electric generators will be tested, including one with a capacity of 1,000 kWt. Enterprises of the defense industry are already working on it.

Wind power in Dagestan did not grow from nothing. A small experimental test site is currently operating in the republic. The first five generators were installed there. Their capacity is small—300 kWt in all—but every road begins with one step.

### Disillusioned Worker Ponders Role of Worker Collective Councils

904F0068A Moscow *RABOCHAYA TRIBUNA*  
in Russian 6 Jan 90 p 1

[Letter to the editor by A. Sviridovich, polisher in a railway-carriage repair works, Minsk: "The STK Today: Its Functions and Fictions"]

[Text] I have never written to a paper before, but now I have decided to do it. My heart is bleeding for perestroika. On television you see the kinds of debates going on in the Supreme Soviet and how hotly they're discussing new laws. But here below, on the level of production, there are no reverberations, as if we lived in a different world.

More than a year ago I was elected to the council of worker collectives for our railway-carriage repair works. I thought that the STK was something on the order of a collective manager and that now, together with the supervisors, we would address all of the vital problems: how to "open up" the bottlenecks, improve labor discipline, speed up housing construction.... There was a lot to be discussed and thoroughly chewed on. But somehow it worked out this way: the supervisors were on their own, and so were we.

Last year our factory made the transition to khozraschet [economic accountability]. But what has changed since then? Nothing! The factory boss singlehandedly gave orders before and continues to do so. And what about the council of worker collectives? You'd think it wouldn't sit around with its hands folded either. But I notice that people raise questions at the meetings that are private or peripheral: someone will mention the speech at the city STK, another the repayment of loans issued for the cooperative's construction site. But it is as if we were afraid of digging deeper, cutting through the thicket and bringing the problems of factory life into the open. What if it turns out the bosses don't like it or we don't have the authority?

By the way, we tried to cut through the thicket. Last year we announced our lack of confidence in the head of the cafeteria, S. Tarasova. And? She works as before, and the food in the cafeteria is still lousy. It turns out we can only grumble a little, and the way matters are decided above is how they will be.

Just enquire what the council members know about the management activities of the factory boss, of the chief accountant, or of other senior workers. They only know what's in full view of everyone, and as a result no one fills them in, as with the "leading kitchen."

And if it were only our own factory people who ignore the STK. Yu. Krasnov, the head of the main directorate of the repair of rolling stock, MPS [Ministry of Transportation], paid us a visit. The occasion for his visit was a pleasant one—he came to present us a banner for the results of a competition and congratulate the collective. But this is how I see it: triumphs are all well and good, but we need to talk

about problems as well. And I felt that a meeting with members of the STK should definitely be called. But time was passing, and I noticed that our guest was off somewhere with the boss. No one remembered us, the rank-and-file workers, who supposedly have access via the council to the factory's administration.

At noon I shut off my machine, went to the factory boss L. Kalyuk, and asked him to pass on our request to the MPS representative. Later I learned that they only gathered together workshop supervisors. They paid zero attention to the STK. So what kind of perestroika can we talk about when the head of the central directorate doesn't even consider it necessary to meet with members of the council of worker collectives? That means that those in the ministry assume as before that the supervisor manages everything and the STK is some kind of decoration. And in the meantime there was something that needed to be discussed. Our factory was modelled after pre-revolutionary workshops. The equipment is dilapidated. Every third worker is doing the job by hand. Yes, we're fulfilling and overfulfilling the tasks set by the plan. But at what price? We work Saturdays, and now and again Sundays as well. And now we wanted to ask the head of the central directorate what kind of future those in the ministry see for our factory and how they might help. It's too bad that the ministry representative considered it unnecessary to have this discussion with us.

In a word, I'm disappointed. And I must confess, doubts are getting the better of me. Do we even need STKs at all? And if so, what should their role be?

**From the editors:** We would like our readers to answer the questions posed by the author of this letter. What is happening with STKs? We await your letters.

### Moscow Enterprises Ignore Quota in Hiring Out-of-Town Workers

904F0063A Moscow *IZVESTIYA* in Russian  
3 Jan 90 Morning Edition p 3

[Article by V. Zaykin: "Getting a Job According to the Limit"]

[Text] This reporter was given the task of getting work on the out-of-town quota basis.

In an attempt to end unrestrained recruitment of workers from out of town by enterprises in the capital, Mosgorispolkom [Moscow city executive committee] has adopted restrictive measures. Now for every so-called "limitchik" [quota worker] an enterprise must pay 31,000 rubles into the city's budget. Not long ago the president of the Mossovet ispolkom [Moscow city council executive committee] reassured the capital's concerned public in an interview for the newspaper ARGUMENTY I FAKTY that from now on only a small number of out-of-town workers will be invited to Moscow: those working for Metrostroy [State Planning and Construction Directorate of the Moscow Subway],

ZIL [I. Likhachev Moscow Automobile Plant], and AZLK [Lenin Komsomol Moscow Automobile Plant].

From this a direct conclusion suggests itself: finally the soviets are beginning to really take power in their own hands in this city. Have difficult times really arrived for branch industry, which considers itself the capital's mistress and offers working conditions which are at times simply degrading? Moscow will now halt its "urban sprawl" and a rain of gold will gush into the city's meager coffers?

Amazing. One sweeping decision, and what thrilling perspectives open up. But we will not rush to such reassuring conclusions.

This correspondent, calling himself an out-of-towner, offered his services at a number of enterprises in the capital. And it must be said—he was seldom an unwelcome guest.

A Moscow wood treatment plant recruits out-of-town workers through an announcement in the metro. As it is explained to me in the personnel department there, the conditions are the following: in the first month, during training, the pay is 80 rubles. After that, pay is on a job-by-job basis. The dormitory address is used for a residence permit. At first it is temporary, but after two or three years, if I do well, I will receive a permanent residence permit.

The directorate "Steel Installation" is advertising for workers with the help of all-union radio.

I set off for the directorate's personnel department.

"On the out-of-town quota basis?" I was hospitably asked. "This is how it looks: you would work as a steel-fitter and erector and receive a temporary residence permit for the dormitory. After three years, we'll give you a permanent one, for the same address. What? What '700 rubles a month'? They exaggerated slightly on the radio."

The specialized directorate "Trestsentrgazpromstroy" [Central Trust for Construction in the Gas Industry] advertises for bricklayers. The work is in monthly shifts: two months in the capital and one at home. A temporary residence permit is offered along with a room in a dormitory.

"You're not yet 30?" asked permanent staff members at housebuilding factory No 1. "Then join our PTU [vocational school]. In half a year you'll have a job and residence permit."

At Mosstroy No 2 they were more cautious.

"You're unmarried? And not divorced? Then join our PTU. You'll learn a trade and get a job and registration ticket."

It's also worth noting that not one of these enterprises that I went around to entered a single kopeck into the city's budget. And the main thing is—they had no intention of doing so in the future. From the Mosgorispolkom commission on questions of labor resources I learn that the list of enterprises freed from fixed wages is much longer than the one presented by the city's mayor. It includes nine construction trusts and several enterprises who have recruited up to 40 percent regular workers. As before, a number of workers from other cities are attracted under "organized recruitment" as temporary workers or under the "shift system." We do not at all control job sign-ups through PTUs, although it is known that only a tiny fraction of their graduates stay with their acquired profession or their enterprise.

Cultural points of interest as well as the particular position the white stone city [Moscow] occupies in the system of distribution of food and industrial goods make it attractive in the eyes of people living in their native corners on "starvation rations." And who can blame them for looking for a better life? It's only human. But branch employers in the capital take shameless advantage of the prevailing conditions. In fact, these are the only conditions under which they can survive. The right to "a quota" allows them to pay no attention whatsoever to overhauling production, mechanization of labor processes, or the living conditions of their workers. And through all this they can "squeeze out" the plan. How many "invalid" enterprises has the quota system saved from shutting down?

Today the attempts of the ispolkom to rein in the Moscow's "sprawl," stop the artificial growth of its population, remove factory works that do not belong in the city, and heavily tax those that remain are simply in vain. In the absence of a free market of material resources, the city cannot meet the tasks that lie before it on its own. Here willy-nilly you open the doors to the giants of branch industry. And they can't be paid off with money. The demand is for a purely natural exchange in which one side is offered city land, with its developed infrastructure, and the other is offered industry, which just barely manages to satisfy the city's needs and creates for it a heap of problems.

## CIVIL AVIATION

### Minister on Aeroflot Operations, Performance

904H0115A Moscow GRAZHDANSKAYA AVIATSIYA  
in Russian No 1, Jan 90 pp 4-7

[Article by Marshal of Aviation A. N. Volkov, USSR minister of civil aviation: "At a Critical Stage in the Reform"]

[Text] One more year has passed into history, and relentless time has begun the countdown of the 90th year. In beginning it, civil aviators, just as all the Soviet people, understand well that this is not simply the next landmark in the biography of the country, a sector or an individual. The year that has begun is one of fundamental importance; one may say that it is a year of destiny. First of all, the 12th Five-Year Plan, which was begun and carried out under the revolutionary banner of perestroika, comes to an end with it. Secondly, it is also the launch pad for the 13th Five-Year Plan, which will determine the character and dynamics of Soviet society's continued development in many respects. And finally, it is the year of the 28th CPSU Congress, which has been called upon to provide a thorough Marxist-Leninist analysis of the processes taking place in the country and the world, to qualitatively update the concept of the party as the political vanguard of society, and to outline the prospects for the near and distant future.

In mentally reviewing the path taken during the years of perestroika, you come to an unequivocal conclusion: this is a critical stage in the history of the Soviet state and in the destiny of all Soviet peoples. Each of us has become aware of the scope and dynamism of the reforms which have affected all the bases of our society—the foundation, the superstructure, and the spiritual area. For the first time in many years people have been drawn toward an active political and social life and have renounced social apathy and a show of unanimity. The circumstances of glasnost and openness are promoting the affirmation of democracy and the principles of social justice everywhere and are giving rise to a great deal that is new in the economy and politics, in science and culture, and in the daily life of each Soviet person. At the same time, a great many serious tensions and conflicts have emerged; this is always the case at critical points in history. They are manifested in the crises in the national economy, the interethnic conflicts, the displays of extremism among certain sections of the population, and a number of other negative phenomena. As M. S. Gorbachev noted so accurately, all this falls upon the society, sometimes putting a considerable amount of confusion in people's minds. Some of them are beginning to appeal "not to give up principles" and to turn back, others are rejecting any "socialist basis" at all for the system we have created, and others are accusing perestroika of sluggishness and yearn for the next rapid "leap forward." It seems at first glance that it is easier to proceed by any of the extreme paths, but appearances are deceptive. It is

much more complicated to move consistently, by mastering the new forms of social life step by step, by doing away with the stereotypes of old thinking in one's consciousness. Nevertheless, this consistency is essential if we are to take care of our people's interests in deed, not in words, and if we are not to lose our sense of responsibility for the country and the destiny of socialism.

Our civil aviation is going through a critical stage in its history as well. On one hand, there are obvious successes and achievements which have been provided for by the selfless labor of all personnel in the sector, skillful economic management by the commanders of production, and the painstaking daily work of political organs and party and public organizations. It is precisely because of this that the sector fulfilled the 1989 production program in accordance with all objectives set in the state order. At the same time, the annual plan for profit was overfulfilled and operating expenses were substantially reduced. There has been improvement in the quality indicators for the sector's work. The anti-expenditure mechanism has continued to function actively in practically all enterprises. Accumulation of capital has increased in aviation collectives' economic and social development funds. And it is especially important that the sector's shift to full cost accounting and self-financing has aroused the economic initiative of aviation employees and left them free to make independent decisions. Aviation enterprise managers have begun glancing "upward" less frequently, waiting for directives and instructions. Many of them have mastered the modern science of managing, which is based on thorough economic analysis and strict financial accounting, not an order from a higher authority. We cannot help but be pleased by all of this, of course.

On the other hand, we also have the obvious fact that civil aviation still is not fully meeting the requirements of the national economy and the public demand for air service, in spite of the many positive changes. Unfortunately, Aeroflot is still forced to refuse its services all the time not to hundreds and thousands, but millions, of potential passengers. The shortage of transportation services, which results in the Soviet citizen's justified displeasure and indignation, is added to the very critical shortage of essential commodities, caused by imbalance in the consumer market. The poor quality of passenger service is also related to the unmet demand, for the shortage of tickets inevitably engenders a shortage of tactfulness and attention from those aviation employees whose duty it is to show concern for the customers. So a vicious circle is formed which we do not always manage to break.

Our civil aviation's status in the international area also is a source of serious concern. Aeroflot's current status in world air transport is very, very modest, to say the least. It is sufficient to say that the Soviet airline ranks only in the second dozen in international transport volume.

The "geography" of international flights provides a similar picture. An unsophisticated person may be struck by figures such as 128 cities in 98 countries where

Aeroflot aircraft fly. Indeed, the figures are impressive. But there is good reason why it is said that everything is understood in a comparison. As an example, it turns out here that Air France, which has several times fewer personnel and aircraft than Aeroflot, is making scheduled flights to 100 cities in Europe alone. This is roughly how the network of international air routes is developed in many other airlines.

As we see, life is uncompromising in requiring that we give an unbiased, objective assessment of the state of affairs in the sector and try to find the most acceptable ways and means to get out of the deadlocked situations. And the year 1990 which has just begun should have a significant role in this respect.

First of all, we must begin to properly utilize all the levers and incentives incorporated in the new mechanism of economic operation. It is clear to everyone today that the administrative-command system has become completely outdated. However, for it to vanish into the past once and for all, we need intensive and painstaking work in many directions. And first of all, it is necessary to arouse each airman's interest in intensive labor, to finally get rid of the syndrome of parasitism, which frequently still makes itself felt. If we compare labor productivity in Aeroflot and other airlines, in Pan American, let us say, the comparison will clearly not be to our advantage. The same may be said of efficiency in aircraft use as well. While the daily flying time for our registered aircraft is measured in 4 or 5 hours, as a rule, the leading capitalist airlines have brought this up to 10 to 12 hours. The difference, as we see, is very substantial. So our reserves are far from being exhausted.

A great deal has to be undertaken to reinforce enterprises' economic independence and expand cost accounting relationships in the sector. A year of working under the new conditions has shown that this is the correct way to increase production efficiency. At the same time, it has become quite obvious that we have managed to do far from everything in this direction. In particular, the rights and responsibility of enterprises, administrations, and the ministry have not always been clearly defined. Here and there they have had a lopsided understanding of independence and cost accounting, orienting themselves only toward making profit and forgetting about the interests of passengers and customers, which cannot be permitted by any means. In other cases, independence was proclaimed only in words, but in point of fact, recurrences of command and pressure methods were observed as before and the old habit of waiting for directions from the administration or Moscow was put into action. All this prompted the ministry collegium to take drastic steps to improve the general plan for management of the sector and reorganize the structure of its central staff.

Essentially, these reforms are aimed primarily at defining the limits of the functions of state management, exercised by the ministry, and the functions of firsthand economic management assigned to the enterprises. The

ministry is supervising enterprises' activity with the strictest observance of their rights by utilizing solely economic methods of regulation. The basic tasks of the ministry are to develop and put into effect a strategy for development of the sector, taking into account national economic objectives and world experience, and to perfect scientific-technical and production potential, which is called upon to meet the requirements of the national economy and the public for air service as fully as possible, as well as to establish the conditions for efficient operation by enterprises on the principles of cost accounting, self-financing, and self-management.

Implementation of these functions has nothing in common with the petty tutelage of enterprises which the sector's headquarters engaged in for years, binding those who directly perform the work hand and foot, as they say. Now only the large-scale problems are within its field of vision, and everything which relates to the solution of specific economic matters has been transferred directly to the enterprises. This redistribution of functional responsibilities has made it possible to reduce ministry staffing by 30 percent in the first stage of the reform. Now it has become possible to reduce it even further. So we have a twofold gain: a saving in funds to maintain administrative and management personnel and those who are directly involved in carrying out the production program are freed from the dictates of those at the top.

But that is not everything, either. The new structure also assumes a fundamental change in the sector's basic production component—the territorial administration. Where it is economically expedient, airlines, concerns, associations [assotsiatsii], and other structural formations will be established on the basis of the administrations. It must be particularly emphasized that this is not simply a change in masks. This involves fundamental restructuring of the system for managing air transport production. For example, an airline will possess full administrative independence, it will have the status of a juridical person and carry out its activity solely on the basis of full cost accounting and self-financing. The presence of a certain number of independent airlines will set up a strong barrier to monopolism in air transport and the use of aircraft in the national economy, and it will establish a real foundation for healthy competition. In the final analysis, this should have a positive effect on the quality of services provided by Aeroflot to passengers and customers.

They may ask: but won't the ministry itself prove to be out of business in such a situation? Perhaps it is not needed at all? Let us answer right away: no, this will not be the case. There is enough work for everyone. As an example, let us take state regulation to provide for flight safety. This area of activity presupposes a centralized basis, not a regional or local basis, by any means. The same must be said about development of requirements for new aircraft and their airworthiness standards; about sectorial standards; about the certification of aircraft, airports, aircraft maintenance bases, and other facilities;

about state regulation of aviation enterprises' commercial and economic activity; about the drafting of forecasts on the development of civil aviation as part of the national economic complex; about the formulation of state policy in the field of international air services; about personnel training, and so forth. These and many other directions of activity will also become the direct prerogative of the ministry, but not of an airline or a concern.

Apart from the reorganization of the territorial administrations, the shaping of the new type of basic production component will take other directions as well. Thus, the establishment of specialized aircraft maintenance and repair centers utilizing advanced technologies, as well as further development of airport complexes as independent production facilities, are being contemplated.

Substantial restructuring is planned in science and the sector's educational institutions. Cost accounting relationships will be developed more and more there as in other structural units. This puts them in fundamentally different conditions with respect to production. For example, staffing of educational institutions will be put on a contract basis. Enterprises analyze their requirements for specialists in different fields, make out the appropriate application, and receive the personnel needed. This system rules out the overproduction of specialists and provides for their guaranteed employment. This is unquestionably a plus. On the other hand, we need a very accurate calculation as a minimum for the five-year plan. Otherwise, we can turn out to be on starvation rations for personnel. For this reason, the managers of enterprises and educational institutions must have carefully verified forecasts supported by the necessary material base. In this connection, optimization of the network of educational institutions and reduction of expenses for training and retraining specialists is a critical question.

Now, with regard to innovations in science. We need to create a specialized scientific subunit on economics and computerized data processing in civil aviation. An All-Union scientific research institute formed on the basis of economic subunits of the GosNII GA [State Civil Aviation Scientific Research Institute], the Main Computer Center and the Central Scientific Research Institute of Automated Control Systems could become such a subunit. The ministry collegium has commissioned a group of managers and specialists to study this matter.

Cost accounting is also making a powerful entrance into a field such as material and technical supply and the deliveries of aviation fuel. And this is understandable: after all, the shift to economic principles in relations between enterprises cannot be partial—yes for some things and no for others. Any system requires its logical completion. This is why, in conformity with the General Plan for the sector's management, it is planned to establish an intermediary economic accountability organization to provide Aeroflot enterprises and organizations with petroleum products on a contract basis. We

believe that this will make it possible to organize the work related to the deliveries of aviation fuel and other petroleum products on a well-balanced economic basis, taking the real requirements and practical capabilities into account.

As far as supply is concerned, we must redistribute the functions here between the Air and Ground Equipment Orders and Supply Main Administration and the "Aviatekhsnab" Association. Work is under way at this level. Now the main objective is to get it in shape, as they say, by eliminating any misunderstandings and omissions.

However, the structural changes in the sector and the ministry apparatus are only one aspect of the reform we are carrying out. There is no question that this is an extremely important and necessary part of all the work. But there are also a considerable number of other problems which must be resolved. And I think the most important one is reinforcement of civil aviation's material and technical base. This means bringing the fleet of aircraft up to date and improving the extent to which "the ground" is equipped, first of all. We do not exaggerate when we say: if we do not succeed in doing this in the shortest possible period of time, Aeroflot will be in an even worse position than it is now, compared with the leading airlines.

Let us refer to the equipment first of all. Over 80 percent of our flights today are being made in aircraft developed during the 1960's and 1970's. In many parameters, especially economy and comfort, they lag well behind modern requirements. Let us add to this that they are not only obsolescent, but aging physically as well. So the need to modernize the fleet has become more acute now than ever before.

Last summer, participants in the 38th Aerospace Exhibition at Le Bourget Airport in Paris had the chance to become familiar with the latest Soviet passenger airliners, the Il-96-300 and the Tu-204. There is no question that these aircraft are capable of changing our situation substantially. They have much better performance than their predecessors, they have an adequate level of comfort, and what is of particular value—they have more economical engines. Figuratively speaking, Aeroflot would breathe a sigh of relief immediately if these aircraft were to be delivered for operation. But the whole problem is that the aircraft industry is not in a position to provide us with such equipment today. This will take place in the mid-1990's, at best. Even our hopes for a partial conversion of the aircraft industry and its reorientation to national economic needs are not very much consolation, since time has already been lost.

All this is not being said to dramatize the situation, by any means, but to ensure that aviation employees have no unwarranted illusions. After all, we can get out of a difficult situation only under one condition: if we do not color the truth and if we look for practical ways to overcome the problems. The wealth of world experience suggests that one of the most acceptable solutions in such

cases may be to lease or purchase modern airliners from other countries. Many foreign airlines are making extensive use of joint operation with aircraft that do not belong to them. As recently as 5 or 6 years ago such alternatives would have been rejected out of hand here and considered almost blasphemous. How can it be this way, they would say: a great aviation power goes hat in hand to foreign firms. Perestroyka, fortunately, is resolutely breaking the chains of dogmatic thinking and is giving free range to enterprise and economic initiative. This is why our ministry is undertaking vigorous efforts to see that the fleet of aircraft is brought up to date. We are looking forward eagerly to the arrival of new aircraft on the airways, and even now we are preparing to become familiar with and operate them. Aeroflot's continued development and better competitiveness in the world air service market are inconceivable without this.

Perestroyka and the economic reform related to it have opened the way for us to reinforce the material and technical base by establishing joint ventures. This issue of the journal describes in some detail the experience in establishing such ventures in the International Air Services Central Administration. Similar work is being conducted in the International Commerce Administration. So that it is not repeated, we will not reveal the mechanism for the formation and functioning of these ventures or explain where the assets which they earn are channeled and what they are used for. We will emphasize only one point: this form of foreign economic activity for Aeroflot must be supported and given incentive. It makes it possible to deal with such painful and vitally important problems as construction of hotel complexes, air terminals, facilities for preparing inflight meals, hangars for maintaining the latest aircraft, and so forth. There is no need to prove that the construction of such facilities will substantially improve the infrastructure of our airline and will enable it to take its rightful place among the other air carriers.

In bringing various areas of civil aviation up to date, we should not forget that all this is not being done for the sake of some abstract objective, but in the name of each specific individual and his welfare. Any breakup of outdated production structures or any innovation should be aimed at coping with the principal task confronting air transport—meeting the public's needs for air service to the maximum extent. Only then will perestroyka have meaning and social significance in civil aviation.

We also must not lose sight of the fact that any reorganization affects the vital interests of aviation employees themselves as well. Any imprudent step and any premature decision are capable of leading to unwarranted social and psychological tension and of becoming a spark which can flare up in a dispute. This is why, when we introduce innovations we cannot overlook how this affects one category of airman or another, and what they will do and where they will do it under the changed conditions.

A great deal depends here on the administrative and civic maturity of the command and management personnel and on the principled position of political workers and party and public organizations. Experience convinces us over and over again that people support those managers and public leaders who rely not only upon the force of an order, but who are sincerely concerned about the work and demonstrate that they really care about the ordinary worker. At the same time, there are other examples as well, when narrow group interests and ambitions gain the upper hand and managers are led by outdated attitudes or they frankly play up to the loudmouths, seeking cheap popularity. There is no need to prove that this is not a way that is acceptable for us.

The crucial stage of reform in which civil aviation finds itself today requires intensive and scrupulous work to bring order to production organization and strict adherence to the requirements of normative documents which regulate the organization and execution of flights. We do not want readers to get the impression that we want a return to the administrative-command system. By no means. We have declared and we are carrying out a most decisive struggle against the remainders and remnants of this deeply-rooted disease in the sector. And it must be said that a great deal has already been accomplished. Dozens of contrived departmental instructions and directions of every possible kind have been canceled and the Regulations on Discipline for Civil Aviation Employees have been rescinded. Only universally adopted legislation is now extended to each aviation employee, regardless of his professional affiliation. And airman have assessed the true value of these steps. But we also have to mention that, along with the democratization of public life and glasnost, negative tendencies to disregard the requirements of labor and production discipline and flight rules have begun to make an appearance as well, and this cannot be tolerated. Democracy cannot be interpreted in a one-sided manner, only as a right to everything. Democracy is also a duty, an obligation to society. And no one should ever forget this.

During the course of preparations for the 28th CPSU Congress, discussions are under way in the sector's labor collectives and suggestions are being made to democratize life within the party and increase the party's role in modern society. Our country has not experienced such a free exchange of views and such an abundance of different viewpoints for many years. This time has passed. But again, cases in which public defamation of individual managers and communists and frank attempts to discredit Aeroflot's party organizations and political organs take the place of constructive suggestions are a source of concern and alarm. We all must learn to distinguish carefully between criticism and demagoguery and to give them an appropriate evaluation. There is no question that aviation employees support the pluralism of views. But they also want our socialist democracy, its ideals and principles, and the diversity of its forms and manifestations to be reliably protected. And we should think about this.

So 1990 is on the calendar of history. We are coming closer to the threshold of the 21st century. What it will be like for the succeeding generations and what it will bring for mankind depend to a large extent on today. On how realistically and responsibly we regard the processes taking place in the world and how we struggle for the sacred cause of perestroika. We want to believe that in entering the new year, the employees of our aviation sector will be able to surmount all difficulties and greet our next party congress in a fitting manner.

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### **'Macaroni' Conversion at Ilyushin Plant Scored**

90UM0227D Moscow *RABOCHAYA TRIBUNA*  
in Russian 10 Jan 90 p 2

[Article by V. Lagovskiy: "Macaroni and Air Buses"]

[Text] Twenty percent is the amount of reduction in military orders submitted to the Ministry of the Aviation Industry. The figure was cited at a press conference held here yesterday. How will the resulting available capacities be used? Will there be an increase in passenger aircraft production?

It turned out that present trends are such that there is little reason to hope for conversion to take place in the aviation sphere. Ministry enterprises are increasing production of equipment destined for the light and food industry, agriculture, and medicine. For example, in Voronezh the designers of the IL-96-300 are developing a giant drier for furs, while in Ulyanovsk, where new TU-204 liners were to be manufactured, a line is being assembled to make macaroni—spaghetti.

Have the proper priorities been set up? Specialists of the aviation and civil aviation ministries have their doubts. They argue that it is ten times more advantageous to manufacture aircraft than any other nonspecialty product that is being foisted on enterprises. There is also a stable demand for aircraft from foreign countries.

There is another danger inherent in "macaroni" conversion: it will not be long before the intellectual resources accumulated in the sector will be lost.

### **Designer on Aircraft Engine Production**

904H0116A Moscow *GRAZHDANSKAYA AVIATSIYA*  
in Russian No 1, Jan 90 pp 14-15

[Article on accomplishments and views of Pavel Aleksandrovich Solovyev, general aircraft engine designer, Hero of Socialist Labor, winner of the Lenin and State Prizes, and corresponding member of the USSR Academy of Sciences, by reporter M. Pervov under the rubric "Stories About Aircraft Designers": "The Art of Building Engines"]

[Text] Perm—We present our readers with the new rubric which was created in response to numerous requests. We plan to publish materials in it on the creators of aviation

equipment—both those who are widely known here and abroad, as well as those whose names have been mentioned before basically in official documents.

Today, a story about Pavel Aleksandrovich Solovyev, general aircraft engine designer, Hero of Socialist Labor, winner of the Lenin and State Prizes, and corresponding member of the USSR Academy of Sciences.

Gathering speed, the airliner smoothly soared up into the blue autumn sky. The IL-96-300 had departed on its first flight. And in 3 months the same Moscow sky received one more visitor: the Tu-204 began the countdown of its biography. Everyone who follows the development of Soviet aviation was waiting for these events. Why? Our fleet of aircraft has become noticeably obsolete in recent years. We have lagged behind in economy, reliability, and comfort. And here is one more new spurt to the upper step on the pedestal, the same one which we have held for many years.

Each aircraft has its own history. But there is also something which is similar in many domestic aircraft. Both of these new airliners took off with engines developed in the design bureau of Pavel Aleksandrovich Solovyev. These engines were given the designer's initials and a serial number—the PS-90. A good engine guarantees an aircraft's longevity. According to specialists' predictions, the IL-96-300 and the Tu-204 will have a long life. They will form the basis of the country's aircraft fleet at the beginning of the 21st century.

"But what is a good engine?" I once asked Solovyev (He is not bothered by amateurish questions).

"A good engine is minimum labor-intensiveness in production and maximum efficiency in operation," was his response. "Well, of course we must also know the kind of aircraft the country will need in about 10 years. Otherwise, any design will be obsolete by the time it is realized."

It was stated simply, but it is extremely difficult to make such a prediction. However, the employees of the KB [design bureau] convinced me: "The general designer knows how to predict. Out of hundreds of conflicting proposals he will select the best ones, sift out the unsubstantiated fantasies and the customary but outdated alternatives, incorporate high but realistic parameters in the design, and he will achieve them without fail."

The history of the PS-90 began a long time ago, in the 1970's. At that time the concept of a powerful, economical engine for the future airbuses was developed for the first time. But the concept was shelved—its time had not come. Later the Ilyushin and Tupolev firms began developing the new passenger airliners. Workers from Perm were attached to the Tupolev firm and the collective of Kuybyshev engine builders, headed by General Designer N. D. Kuznetsov, were attached to the Ilyushin firm. And here the idea emerged: cannot one standardized engine be built for both aircraft? This is a tremendous savings in resources and funds! Since both collectives

had already begun their work, it was decided to declare a competition, with the winner's design being put into series production. The "Solovyevs" won. They had developed a highly economical, quiet, and promising engine.

The PS-90 is the logical development of the design of all the preceding engines from the design bureau. Achieving reliability, economy and simplicity in operation is in the collective's tradition. This is the reason for their success. Judge for yourselves. In 1938, the ASh-62IR engine was developed under the leadership of Solovyev's predecessor, General Designer A. D. Shvetsov. Here more than a half century has passed—and this could not have been predicted by the most farsighted of its creators—and this workhorse is serving the people by turning the propeller of the ubiquitous An-2. The Tu-124, equipped with the D-20P engine, Solovyev's first creation, has been operating on Aeroflot routes for about 20 years.

Pavel Aleksandrovich Solovyev headed the design bureau in 1953. The collective at that time led in the development of piston engines, but the time soon came to work with jets. The search for its direction was begun. In sorting out the various alternatives, it decided in favor of a ducted-fan engine, which was suggested by the noted Soviet aircraft designer A. M. Lyulka. With its low mass and small dimensions, the ducted-fan engine promised to provide significant thrust and fuel economy. However, there was practically no experience in working with it in the country or abroad at that time. Andrey Nikolayevich Tupolev was the first of the aircraft designers to become interested in the new engine. After receiving an order, they redoubled their effort. Solovyev was in the shops every day then. Sometimes he managed to make a sketch overnight and brought it in for further work in the morning. He just managed to cope with one problem when others appeared. Once again, an intensive search for a solution. Finally the D-20P was sent out for tests. It passed them well, and the favorable qualities of the new design were fully confirmed.

I asked Solovyev one day: "What stage in the work on an engine is considered the final one?" The designer smiled: "The stage in which the aircraft is registered." That is, work on an engine continues for its entire life. The general designer, of course, is concerned with the long term; the very name of the position probably presupposes that he should generate ideas, but the collective does not stop perfecting its creation throughout the period it is in operation.

The first development turned out to be so successful that an entire pleiad of first-class aircraft engines was developed on the basis of it in subsequent years. A new helicopter was designed in the OKB [Experimental Design Bureau] of M. L. Mil. They suggested to the Perm workers that they "refine" an engine that was already available for it. After studying the matter, Solovyev rejected the refinement, saying that it will be easier for the series plant to manufacture standardized aircraft. So the D-25V, which was developed on the basis of the

"20," made its appearance for the first Soviet heavy helicopters, the Mi-6 and the Mi-10. Later on, 14 world records were set with the giants of M. L. Mil, and the configuration of "two engines on one primary gearbox" still predominates in helicopter manufacturing.

Specialists say of Solovyev's consistency: "He proceeds step by step from engine to engine, without sudden changes. Risky designs are alien to him. He has traditionalism in his blood. But he moves continuously, without stopping, persistently and purposefully."

In the early 1960's a new order came from A. N. Tupolev. Andrey Nikolayevich told of his intention to develop a fundamentally new aircraft with engines...in the tail. He needed such a design to improve the wing's aerodynamics. You cannot put a large and heavy engine in the tail. For this reason, Tupolev set forth the objective roughly as follows: "Give me a compact but powerful engine." It is common knowledge that these requirements have been contradictory since the beginning. Increasing power usually leads to an increase in dimensions and mass. Work on the D-30—the first Soviet aircraft engine to receive an international airworthiness certificate—was begun when this contradiction was resolved. The Tu-134, which is equipped with these engines, is still operating successfully on Aeroflot routes.

Aeroflot's growing service to the countries of Asia, Africa and Latin America required that designers modernize this airliner's power plant. Solovyev was faced with improving engines in series production so that they operate in severe heat and their dimensions are not increased, not with designing a new aircraft for them! So aircraft with the inscription Tu-134A-3 on their side began appearing at southern airports, and they were equipped with the improved D-30. Passengers familiar with the aircraft were amazed: "Before we only flew at night when the heat diminished, but now we fly during the day and night, even with a full load. The equipment has made a step forward!"

Sergey Vladimirovich Ilyushin was another noted aircraft designer with whom Solovyev's fate was linked. Ilyushin made friends with the people in Perm long ago, during the war, when one of Shvetsov's engines was installed in his Il-2 ground-attack aircraft as an experiment. The collaboration continued in the following years as well. Ilyushin was working on a large-capacity transport aircraft. P. A. Solovyev's collective was also involved in the development of an engine with the parameters it needed. So the D-30KP engine was developed for the Il-76, one of the country's high-volume aircraft.

Aircraft, like people, demonstrate their qualities best of all in extreme situations. Our country was struck by a disaster late in the previous year—an earthquake of unprecedented magnitude in Armenia. Underground tremors demolished railroad and highway beds. Aeroflot and the Air Forces' military transport units took on the task of flying in the manpower and freight needed for the republic. The basic workload was assumed by Il-76 aircraft. Reliable and

equipped with economical engines, the airliner carried thousands of tons of needed cargo to the victims, operating at times under incredibly difficult conditions.

Solovyev was awarded the Lenin Prize in 1972 for developing the D-30KP. Before that he became a Hero of Socialist Labor and the holder of four Orders of Lenin, a winner of the USSR State Prize, a corresponding member of the USSR Academy of Sciences, a delegate to four CPSU congresses, and a deputy to the USSR Supreme Soviet in a number of convocations... But stop! The general designer does not like these listings. I will reveal one secret: a book already has been written about Solovyev, but he has not given his consent for its publication. Why? Because of the same encomiums for his services. He cannot stand this.

Work on an aircraft engine is a perpetual struggle for the right to be first. The designer of an aircraft can turn away from the engine developers at any moment if a more competitive product has been developed in another design bureau. Why equip a new airliner with outdated systems? Solovyev has come out the winner repeatedly in his creative life. In the early 1970's the Il-62, which was already flying, was equipped with his engines—the engines of another designer did not stand up to the competition. In the early 1980's, the Tu-154 aircraft was switched over to Solovyev's D-30KU engines. The designer smiles in speaking about his work: "This is our gift to Aeroflot." "Why?" "Because the fuel economy when they switch to the new engines covers all the expenses associated with their production and operation. They obtained a free engine!"

The engine builders plan to break even this record in the near future: the level of economy of the Tu-204, according to predictions, will be 20 to 30 percent higher than that of the Tu-154M—the most economical aircraft in the country today—and twice as high as the average for Aeroflot. The Tu-204 equipped with Solovyev's engines will consume just 19 grams of fuel to carry one passenger for 1 kilometer. But after all, even today 20 percent of all Aeroflot's passenger flights are made by aircraft equipped with P. A. Solovyev's engines. Testing of engines and aircraft is continuing. There have not been any particular complaints made to the engine builders from the Tupolev and Ilyushin firms yet. The new aircraft should begin operating at the end of 1990.

The years take their toll. Now the general designer has sent in his resignation, because of age and health... The ministry has relieved him of his position, but has not released him on a pension. P. A. Solovyev has been assigned as an adviser to the design bureau management. The new manager was elected by the collective on a competitive basis. There was also another memorable event—the design bureau marked its 50th anniversary in December. And work is in full swing in the collective now for the certification of a new engine.

P. A. Solovyev has put his mind in the equipment. In meeting him time and again and chatting with him, I

noted how sparingly he speaks about himself and how he brightens when he speaks about the engines. He can discuss their advantages and drawbacks tirelessly. This tendency has helped him to develop first-class engines for Soviet aircraft.

"Building engines is a definite art." These words belong to A. D. Shvetsov. The longer I know Pavel Aleksandrovich Solovyev, the more strongly I believe the correctness of these words. He has mastered his talented art to a high degree.

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### **Domodedovo Airport Upgrades Needed**

904H0121A Moscow SOVETSKAYA ROSSIYA  
in Russian 23 Jan 90 Second Edition p 1

[Article by G. Yevstifeyev: "The Airport Is Begging for Help"]

[Text] The airline which is the largest by European standards, which carries cargo and passengers over 90 percent of the country, is in distress. You cannot put it differently. The flourishing firm—6,000 passengers make use of its services each hour—is calling for help. The airport is chasing customers away instead of rejoicing at each ticket purchased. What a paradox!

This is Domodedovo, which has been turned from a modern airport—by standards of the 1960's—into a torture chamber for passengers. Anyone who has been there during the hours of heaviest traffic will attest that there is nowhere to sit down. But what happens when there are disruptions because of the weather?! There is nowhere to stand up. At such times, the administration asks the railroad workers and vehicle drivers to speed up the electric trains and buses in order to enable the people who are waiting to while away the hours during the night somehow. In a building designed for a maximum of 6,000 passengers per hour, there are up to 60,000 on some days! They sleep on newspapers spread out on the marble floor, windowsills, suitcases, and in all the terminal's service areas.

As long as 18 years ago airmen realized that Domodedovo "will be a little small..." And exactly 3 years later there was a pop, as a parachute jumper would say. There was no way to increase the traffic volume without detriment to passenger service. The standard 8 square meters of airport area per person which existed then went by the board. Now the area is half the size. And this is while the current standard is 12 to 15 square meters and the standard in other countries is all of 25 to 30 square meters.

In 1977, the USSR Gosplan and Gosstroy approved a feasibility study for development of the airport and allocated 800 million rubles for this. In 10 years (1975-1985), just 25 million rubles were put to use. This is how "rapidly" a trust of the USSR Ministry of Transport Construction was working. Decisions followed later one

after the other. But the time was lost. Now at the request of the management of the Domodedovo Civil Aviation Production Association to renovate, a foreign firm essentially will build a new air terminal complex. But what happened to the domestic construction workers?

I took a trip to Domodedovo for explanations. I took a leaflet with me—an appeal from Domodedovo employees to USSR people's deputies. "This is a cry from the heart of hundreds of thousands of passengers in our great country," it states.

Leonid Andreyevich Shcheglov, the airport chief, lays out all the arguments.

"We have no one to trust with construction when the airport is in operation," Leonid Andreyevich says. "After all, we cannot cut back the number of flights. Now look at the kind of conditions the Ministry of Transport Construction workers left for us. First of all, dismantling the galleries, and secondly, fencing off a construction area so extensive that the aviators' work will simply be paralyzed. And the time involved? Nine years! Just the development of their base will take up 2 years. And this can be extended, you know. In Khabarovsk, this same ministry has been building an airport for over 10 years already. We also are familiar with this contractor from the construction of the Pavelets Terminal and the shopping center erected here. On the whole, we do not have the right to take such a risk with the passengers' lives and safety."

Now, about the conditions with the foreign firm. The maximum length of time for the construction project, which will not disrupt the airport routine at all, with an allowance for all the unforeseen circumstances, is 36 months (several companies have given this period of time). And in 2 or 3 years of inconvenience, the disorder and suffering of the air terminal's visitors—14 million of them per year—will disappear into the past.

We need 180 million foreign exchange rubles. How do we make a case for the need to provide them?

We can state the fact that Domodedovo is the airport with the most prospects in the Moscow transportation hub. Or cite the figure of the unmet demand every year for Aeroflot services, estimated at 25 million potential passengers. At the same time, it is also necessary to state that a British airline has already given its consent to use Domodedovo to land its aircraft if the airport's capacities are extended. This means the foreign exchange that was spent will return to the treasury...

Nevertheless, the most cogent argument is the necessity to establish fitting conditions for a person in our country. Do we have self-respect after all or not?

## RAIL SYSTEMS

### Chief Outlines Railway Construction Progress, Plans

904H0128A Moscow GUDOK in Russian 27 Jan 90 p 1

[Interview with N.P. Grom, chief of the Main Administration of Design and Capital Construction, by V. Gitkovich: "Turnkey Construction"]

[Text] We are certain that there is no collective in railroad transport that does not worry about the problems of construction—production, housing or any other kind. So we decided to take an interest in what had been done last year and what is outlined for the present, and asked a person who would have to be in the know, because of his position.

N.P. Grom, chief of the Main Administration of Design and Capital Construction, answers our questions today.

[Gitkovich] Nikolay Petrovich, which of last year's results can the construction workers boast about?

[Grom] They can particularly boast, but it is not worth it, about the fact that the plan for construction-installation work on the whole for the ministry, be it by only four-tenths of a percent, has been overfulfilled all the same, which is nice thought.

GUDOK has already reported that the railroad workers received almost 2.5 million square meters of housing. I will add, that the assignments to put into operation children's preschool institutions, hospitals, clubs and other facilities of the social sphere were fulfilled.

At the same time, it is clear to all of us that neither the level achieved nor the pace of our work is adequate. With respect to the housing, this year it would be good to creep up to 60,000 apartments. Although to guarantee fulfillment of the main task—an individual house or apartment for each family by the year 2000—this will be a low milestone.

As for production construction, to increase the throughput and traffic capacity of the lines, and to develop the country's railroad industry in general, things have been done here as well. Almost 770 kilometers of new roads have been turned over for operation, including more than 500 on BAM, which made it possible to open through traffic along this mainline. Some 457 kilometers of secondary tracks have been laid and about 900 have been electrified and on over 1500, automatic blocking has been put into operation. Some 20 kilometers of subway lines have been launched. I will not enumerate, but I will say that capacities at various railroad enterprises have been put into operation.

We could, of course, do even more, but the Volga, Sverdlovsk, Kemerovo, Krasnoyarsk and Transbaykal roads did not fulfill the plan for construction-installation work. The debt for each is considerable—from 11 to 16 million rubles. At the same time, and this is quite

alarming, housing, hospitals, kindergartens, polyclinics and schools are still among the facilities that have not been put into operation.

If, as I have already said, we have covered the task as a whole, this is due to the old fellows in the collectives of the South Urals, Baykal-Amur, Far Eastern, Gorkiy, Alma-Ata, West Kazakhstan, Tselino, Donetsk, October, Moscow, Belorussian, Southwestern, Southeastern, Dnepr and Transcaucasus roads.

[Gitkovich] What is the main feature of the plan for the coming year?

[Grom] First of all, the fact that the relative proportion of nonproduction construction will increase by almost 11 percent and will constitute one-third of the total amount of construction-installation work on the road network. The main difficulty lies in the fact that this year we must guarantee putting into operation the same volume of various objects for the social sphere as in 1989, even though the limits for construction-installation work as a whole for the Ministry of Railways are reduced by 30.7 percent.

We cannot achieve the goals if we reorient the capital investments of groups "A" and "B" and reduce the period for constructing the facilities. The work lying ahead is not easy, and construction for people really constitutes the basis of the production program of the road trusts.

[Gitkovich] Tell us in a little more detail about the work of these precise subdivisions.

[Grom] I will begin with the fact that we have no unprofitable trusts. Pardon me, but to confirm these words I must again resort to figures. Profitability has reached 18 percent. Some 130 million rubles of profit have been obtained.

The transition to collective contracting, leasing and cooperative forms of economic activity played a considerable role here. In the coming year, as I have already said, road building trusts will erect mainly housing and social-everyday facilities, and there should therefore be a 1.5-fold increase in putting into operation schools, kindergartens and hospitals, and a 10 percent increase in housing.

[Gitkovich] Do they have the base necessary for this? How will it be developed?

[Grom] Right now the roads have 64 construction industry enterprises, at which over a million cubic meters of precast concrete and reinforced concrete structures can be manufactured. There are another three test-experimental plants and five repair-machinery workshops producing various construction machines, equipment and means of partial mechanization worth 9 million rubles.

Over 120,000 cubic meters of capacities to produce precast reinforced concrete structures should be put into

operation in the coming year. This includes parts for large-block and large-panel housebuilding for 70,000 square meters of housing a year.

[Gitkovich] It is very nice to hear all this. To produce all the structures, panels, blocks and parts, however, KPD [large-panel housebuilding] needs cement and metal. Where are you planning to get them? As far as I know, will there not really be even less of both of them transported this year than last year?

[Grom] Unfortunately, this is so. In general the limit of the contracting ensured by the material-technical resources is right now 118 million rubles less than in 1989, and we, as always, want to build more than we have resources for.

Therefore, we are covering mainly our social program with these quotas. Well, for industrial construction we will seek materials in territorial supply organizations, as well as resorting to direct contacts with enterprises producing these materials. That is why I would like to ask the road and division chiefs to pay more attention to the supply problems, using all their possibilities and influence. The main administration, on its part, and the Ministry of Railways on the whole will achieve an increase in the quotas.

Finally, the enterprises of the construction industry and the construction subdivisions must really have a careful, thrifty attitude toward materials. For this there must be a truly efficient anti-expenditure mechanism. Practical experience shows that for them there is a second model of cost accounting, toward which we orient the road construction workers. In addition, there must unquestionably be the appropriate organization of labor and technological discipline.

I should like to remind everyone that in the construction of housing and social-everyday facilities, the rise in wages is not limited to 3 percent with respect to the preceding year, but should correspond only to a rise in labor productivity. This means that the more you do, the more you will receive.

[Gitkovich] As far as I know, the Kemerovo road is planning to set up the manufacture of brick at its own enterprise, figuring that this will somewhat ease the situation with building materials.

[Grom] They are not alone. The road building trusts of the Belorussian, Alma-Ata, Transbaykal, North Caucasus and several other roads have outlined organization of this type of production. I think that none of our mainlines should be prevented from erecting small brickyards.

[Gitkovich] Does our conversation not create the impression of a favorable situation in construction?

[Grom] I would not want to say this, especially as the situation is by no means serene. The cutback in the quotas for construction-installation work and the reduction in the provision of building materials for contracting work have already been mentioned. In addition,

the main supply administrations, in allotting funds for materials, fail to take into consideration our needs for resources for objects that are constructed using means allotted not from the state, but from other sources of financing. This is almost half of the total plan for road building trusts.

To this must be added the fact that, despite the profitability of the work of the trusts, they include 15 structural units that have permitted losses of 2 million rubles. There are also shortcomings in the organization of the construction and in the work quality, and this, as we know, leads to unproductive expenditures. The work of the trusts is also complicated by their poor provision with machinery and mechanisms, of which we receive considerably fewer than the construction ministries do.

[Gitkovich] In summing up, to what else would you like to direct the attention of the road construction workers?

[Grom] Not only their attention. The point is that decree No 809 of the USSR Council of Ministers on capital construction introduced a number of provisions new in principle, including the transition to cost accounting for finished construction products and the formation of profit and economic incentive funds for the construction workers after facilities have been put into operation. I would particularly like to emphasize the fact that this year the contracting organizations should make the transition to turnkey construction of newly started apartment houses, schools and preschool institutions.

The customer will virtually pay only for the finished product, and all the worries, including the planning estimates and equipment, will be the duty of the contractor. Despite these additional obligations, in order not to go bankrupt, they must, unquestionably, keep to the construction periods.

All the participants in the investment process are now faced with exceptionally complicated and important tasks. The road divisions of capital construction, along with the general contracting trusts, should have, in cases when it was necessary, quickly corrected the documentation and before 1 February opened financing at the banks, or else the projects will be excluded from the plan for this year and the material-technical resources will be immobilized.

There was a specific and detailed talk about all this at the network seminar-conference, which we held on 18-19 January in Moscow, inviting the directors of the departments of capital construction for the roads and the management of construction, the road construction trusts and associations.

Taking part in the seminar were workers of Gosplan, Gosstroy and the USSR Industrial Construction Bank, who answered the numerous questions of those attending, related to fulfillment of the government decree.

In general, we have more than enough troubles. It would be nice to put everything right in time.

### **Railroad Financial Plan Detailed**

904H0108A Moscow GUDOK in Russian  
16 Jan 90 pp 1-2

[Article by A. Martynchuk, deputy chief of the Central Accounting and Finances Main Administration of the Ministry of Railways, responding to telegram from Aristov, chairman of the Arkhangelsk Rayon Committee of the Railroad Transport Workers Trade Union, and Tsikin, chairman of the Labor Collective Council, Arkhangelsk Division: "We Have Categorically Objected"]

[Text] At the end of last year, railroad workers received quite specific assurance at the highest government level that additional financial resources would be allocated for social needs. This gave hope, because calling that housing situation disastrous is not even enough. But the telegrams which have been arriving at the editorial office since the first days of January have compelled us to moderate our enthusiasm.

*"To the minister of railways, the central committee of the sector's trade union, and the editorial staff of the newspaper GUDOK.*

*"In the financial plan for 1990, 15 million rubles were withdrawn unlawfully by the ministry from the Arkhangelsk Division's profit. Only 17 rubles are left at the collective's disposal from a ruble of profit. The economic incentive funds are being reduced to two-thirds of the amount last year.*

*"The social development program is breaking down completely. We have been forced to cancel contracts to build four residential buildings (251 apartments) and a cultural center, to discontinue construction with our own resources, and to freeze benefits for railroad workers. In conformity with the Law on the Procedure for Resolving Collective Labor Disputes, we ask that our demands be considered in the periods of time prescribed. The establishment of a strike committee has not been ruled out. A strike situation has developed that can lead to unpredictable consequences in the event that our just demands are not met.*

[Signed] *"Aristov, chairman of the Arkhangelsk Rayon Committee of the Railroad Transport Workers Trade Union, and Tsikin, chairman of the Labor Collective Council, Arkhangelsk Division."*

In order to clarify the situation, we asked The Central Accounting and Finances Main Administration of the Ministry of Railways for an explanation. The text was transmitted to the editorial staff in a day. We believe that railroad workers are being given the opportunity for the first time to familiarize themselves with the details of the FINANCIAL PLAN FOR 1990.

In the plan for 1990, the scheduled figure for the Ministry of Railways' profit was set by the USSR Ministry of Finance at 5,620,300,000 rubles, which is 3 percent more than the 1989 plan.

In connection with the USSR Supreme Soviet decision to increase minimum pensions, the deductions for social insurance have also been increased up to 13 percent. The sector's expenses have risen by 315.7 million rubles.

This sum has been distributed as follows:

- 63.2 million rubles to reduce deductions for the state budget;
- 74.1 million rubles for the economic incentive fund;
- 95.8 million rubles for the social development fund; and
- 82.6 million rubles for the production development, science and technology fund.

Therefore the profit, without taking increased freight rates into account, totaled 5,304,600,000 rubles and was assigned as follows:—2,353,000,000 rubles to pay for fixed production capital and working capital;

- 125 million to pay interest for bank credit; and
- 566.2 million rubles for the state budget.

Profit totaling 2,260,400,000 rubles (40.2 kopecks from 1 ruble of profit; the figure in 1989 was 45.7 kopecks) remains at the sector's disposal. This includes:

- 663.4 million rubles for the economic incentive fund (732.9 million in 1989);
- 858.1 million rubles for the social development fund (947.9 million in 1989); and
- 738.9 million rubles for the production development, science and technology fund (816.3 million in 1989).

The legitimate question may arise: but where are the receipts obtained from increasing the freight rates by 35 percent?

Altogether they add up to 5,404,000,000 rubles (when the transport plan is fulfilled at the scheduled figures). These funds will be utilized as follows:

- 884.7 million rubles for the state budget;
- 910.3 million rubles to cover the rise in diesel fuel prices;
- 76.8 million rubles to compensate for higher freight rates for the sector's enterprises;
- 1,481,800,000 rubles to finance public health and educational institutions;
- 434 million rubles to continue construction projects which are at a high stage of readiness;

—1,317,000,000 rubles to purchase freight cars; and

—299.4 million rubles to finance centralized capital investments.

In this case, the funds to cover the rise in diesel fuel prices and compensate for higher freight rates for transport enterprises have been left at the railroads' disposal.

If it is taken into account that until 1990 the deliveries of freight cars and containers, as well as the financing of public health and educational institutions, were handled through state budget funds, the railroads did not receive 1 ruble from the increase in rates to deal with railroad workers' production and social problems.

Practically until the approval of the USSR State Budget for 1990 on 31 October, the Ministry of Railways categorically objected to such distribution of additional receipts from the increase in rates. However, the Ministry of Finance submitted the proposal, and the USSR Supreme Soviet adopted it.

A paradoxical situation has taken shape in financing public health and educational institutions. By not having a guaranteed source for financing, they were made dependent on the completion of a volume of work, the financial results of transport enterprises' activity, weather and climate conditions, the availability of freight, and the sociopolitical situation in the country.

If these factors affect a decline in profit, the Ministry of Railways will practically be forced to reduce enterprises' economic incentive funds, which may result in dissatisfaction among labor collectives. This decision has put railroad workers in social conditions that are not equal to those of the rest of the people in the country, who enjoy the constitutional right to free education and public health.

Payments of profit to the state budget will be deducted by railroads in accordance with the norms for 1988-1990. In conformity with USSR Council of Ministers Decree No 971 of 14 November 1989, the Ministry of Railways has defined the norms for forming the sector's centralized production development, science and technology fund more precisely.

It is apparent from the data cited that 5,792,600,000 rubles of profit are left at the Ministry of Railways' disposal, taking into account the additional receipts obtained from increasing freight rates and the expenditures for public health and education (1,481,800,000), the purchase of freight cars and containers and capital investments (2,050,400,000).

The Ministry of Railways has been forced to utilize 4,128,700,000 rubles of this profit to form the centralized production development and science and technology fund, that is, 15.1 kopecks are left at the railroads' disposal from 1 ruble of profit.

Under comparable conditions (without receipts from raising freight rates), 29.6 kopecks will be left from 1

ruble of profit in 1990, whereas 37.7 kopecks were left in 1989. The reason for the decline in the railroads' profit was the increase in social insurance up to 13 percent and the withdrawal of 315.7 million rubles from profit by the Ministry of Railways.

The draft of the Law on Pensions was worked out carefully and reflects all the workers' requests and desires that were stated earlier. But we must not forget: we must sharply increase labor productivity and discipline, establish a routine of strict economy, and earn a considerable amount of money, which will go to improve the pensions of railroad transport workers first of all. It is hard to overstate the importance of this action.

But how have the sector's enterprises reacted to the government's decision? Unfortunately, they adopted a profit plan below the scheduled figure of 487.8 million rubles for the Ministry of Railways, including the railroads—420.7 million rubles.

All this had an immediate detrimental effect on the formation of economic incentive funds. After all, the payment for other funds has remained as before, and the deductions for public health and education, as well as the purchase of freight cars and containers, cannot be changed for obvious reasons.

So what kind of profit will be left at the railroads' disposal in the end? It has been dropped to 12.1 kopecks from 1 ruble, that is, by 3 kopecks. At the same time, the material incentive fund has been reduced by 114.5 million rubles, the social development fund has been reduced by 148.1 million rubles, and the production development, science and technology fund has been decreased by 127.5 million rubles. Overall losses in the economic incentive funds add up to 390.1 million rubles.

Making use of the right granted to it by Article 9 of the Law on the State Enterprise, the Ministry of Railways has repeatedly asked the railroads and industrial enterprises to look into the situation that has developed and to shape the plan for 1990 with full responsibility. Attention has been drawn to specific reserves for increasing transport volume; economizing operating costs; expanding secondary activity; getting rid of or selling unneeded or old fixed capital; attending to all the penalty payments, duties, and fines; correcting defective output; eliminating losses, and so forth.

However, in response, letters have been pouring in demanding that a larger share of the profit be left for the railroads. The Ministry of Railways cannot act on such proposals, since this will be in conflict with the law adopted by the USSR Supreme Soviet on approval of the country's state budget for 1990. It is unwise to refuse to purchase rolling stock when there is a critical shortage of it. And in the event of a refusal, the manufacturing plants will be put in a hopeless situation. The Ministry of Railways will have to pay huge fines in this case.

Reducing the deductions for public health and education means undercutting the facilities to train personnel as well as economizing on the workers' health, which are clearly unacceptable.

For this reason, it seems to me, all labor collectives must now study even more closely the opportunities of each enterprise to increase transport volume, economize operating costs as much as possible, and display initiative. This will make it possible to raise the level of profit and channel it into the economic incentive funds to resolve the critical social problems, including housing construction, first of all.

I would like to illustrate the fact that we have vast reserves by just one example.

About 7 billion rubles are invested each year in developing the sector; in this connection, the expenses for amortization deductions increase sharply. Thus, the railroads spent 14.9 billion rubles on operating costs in 1987, and an even larger sum is expected for 1989—15.7 billion. So the amortization deductions account for the lion's share in the increase. At the same time, 4,050,000,000 tons of freight were carried in 1987, but the amount in 1989 was less—4 billion tons. All this attests to the ineffectiveness in investing funds. There is practically no return, although the demand for an increase in transport services in the national economy has not been exhausted.

By making use of reporting data and the dynamics of the funds received from all sources, specialists of the Central Accounting and Finances Main Administration believe that the railroads have definite reserves at the present time, and railroad managers have been informed in detail about them.

In conclusion, I would like to say that managers in the Ministry of Railways and the central committee of the sector's trade union have asked the government to look for an opportunity and to allocate funds from the state budget for the increase in social insurance and for financing educational and public health institutions.

#### **Rail Freight Shipment Planning Difficulties Noted** *904H0108B Moscow GUDOK in Russian 14 Jan 90 p 1*

[Interview with V.I. Zubarev, chief of the Ministry of Railways Transport Planning Administration, by V. Sluzhakov: "Planning Trickery"]

[Text] The Law on the State Enterprise gave certain freedom of action to the railroads' managers. But no one has abolished the scheduled figures for the five-year plan which dictate one's action. As a result, the forming of annual plans has grown into "an office war" which is displayed continually by indignant telegrams from railroad workers and shippers. The positions of the sides are diametrically opposed: the sector's headquarters seeks to increase transport volume, convinced that this is the basic source of prosperity. The railroad administrations find it

to be just the opposite. Why is this the dividing line in the dispute? Vladimir Ivanovich Zubarev, chief of the Transport Planning Administration, comments.

[Zubarev] It was hard to speak about this before, but things have become simpler now. We have endured every conceivable and inconceivable form of annual planning: from the top, from the bottom, with the state order and with scheduled figures, all kinds. The first problem is that a railroad which assumes an annual transport volume does not have sufficient proof that it is necessary.

[Sluzhakov] Guarantees from customers?

[Zubarev] Not only that. All sides should bear financial responsibility for the same state order under the law. But there is nothing like that. Neither the railroads, nor the clients, nor the Ministry of Railways are burdened with it. This is simply one of the forms of pressure which is not supported by any interests and does not reflect the real demands and needs for transport; on the contrary, it conceals them, which leads to huge losses.

For the chief of a railroad to accept the figure for a plan which is not backed up by orders—and those that are may be changed in any direction—is to put himself in danger. After all, behind this plan are collectives that will suffer if it is not fulfilled. For this reason, the railroads do not even trust themselves. And frankly, they are understating the demand for transport. If everything here had been normal, without the excesses—the strike, ecological and nationality excesses, the 4,120,000,000 tons of freight handled annually should have been looked over accurately. But under the condition that everything is normal.

I stress again that the annual plan figure is really a tricky thing, and it is only inflicting harm today. Here are two examples with the state order. Last year they imposed it objectively correctly on the system as a whole. But since no one knows clearly the volume involved, where freight is coming from and in which quarter to ship it, the errors permitted in its distribution by railroads were extensive.

And now this confusion. The first quarter has ended, but the Moscow Railroad did not fulfill the state order for coal, although it met all the consignee's orders. What happened? It turns out that the demand for fuel declined in connection with ecological developments. Well, the railroad supposedly should bear the losses and be deprived of bonuses, but everything was concluded successfully. We were able to correct the plan.

But the Donetsk Railroad fulfilled the state order for coal in the first quarter, on the other hand. The bonus and the banner of a victor. But they did not take the coal out from the dumps. It was used up. The requirements for transport turned out to be higher than the quarterly plan.

[Sluzhakov] The same probably applies to petroleum products in the Bashkir ASSR. Railroad workers are

reporting fulfillment ahead of schedule before the new year, but the television shows "sobbing" oil refinery workers: they had a surplus, and they are stopping their capacities because there are no tank cars.

[Zubarev] Everything is more complicated there. The oil refineries are basically sitting on raw material obtained through one pipeline. For this reason, whoever opens the valve more receives more oil. But since the Bashkir and Kuybyshev refineries are right at the beginning of the pipeline, they also try to take more of it and demand that the product be taken farther by rail. At the same time, they do not have enough of the raw material at the end of the pipeline, and production is reduced. But all this is in violation of all the state orders and annual plans.

We are convinced that they are not effective at all. These plans are deceptions, and they are defrauding the national economy as well. And there are thousands of such examples—for all freight and all railroads.

[Sluzhakov] What do you suggest instead?

[Zubarev] We in economic management are firmly convinced that we must shift to a model which reflects the actual requirements for transport—the monthly plan. Unlike the annual plan, financial responsibility is assumed for it: we assume it for not supplying the cars, and the shipper assumes it for not producing the freight (a ruble per ton). We agree to a fine of up to 3 to 5 rubles. Naturally, on a reciprocally equal basis. Moreover, the monthly plan will contain material and technical supply and has the data on where the freight is coming from, where it is going, and how much must be transported.

It is very stable. Deviations are measured in portions of a percent, but there are a great many machinations with corrections in the annual plan.

[Sluzhakov] If this is the way matters stand, as you say, what is preventing us from shifting to monthly planning? It cannot be worse than it is.

[Zubarev] Recently the question was examined with the minister and he made no criticism. The first deputy ministers also support it. But there are nuances in the monthly plan which not everyone likes. It compels us to ship from the first day, to get started and not wait until the third month. We will have to serve the client on time and in full volume. Of course, we cannot do without the sly tricks, either. Although the most important freight is still monitored by the Ministry of Railways. But no one will think up a method that is 100-percent ideal; it is a vain undertaking. The plan is made by people, it is their nature to err and seek advantage for themselves. We must regard this more calmly as a natural phenomenon.

[Sluzhakov] And we still have this telegram from the minister of railways with the urgent demand to reach the scheduled figures for the year.

[Zubarev] While there are still state planning directives on the shipment of freight, we are obliged to require plans from the railroads that are no lower than these figures.

[Sluzhakov] Well, how do we interpret the assertion at the highest levels that the scheduled figures are only a reference point, not a directive?

[Zubarev] Just that way. They exist so that they are taken for fulfillment. But this business must be ended, the sooner the better. We are intimidating the chiefs of railroads with these figures, and if they accept them the collectives will be intimidating them with their ultimatums.

[Sluzhakov] I fear that many will not like your straightforwardness. They will say that it is not aligned toward a better result and is undermining the sector's prosperity.

[Zubarev] I can say that they are being deceived. We have been taught this in such a way that we take no notice of it sometimes. I say again that the scheduled figures are not fund-forming indicators. All incomes come from freight turnover.

[Sluzhakov] How soon will this new approach be implemented, in your view?

[Zubarev] It is necessary this year. The appropriate document has been sent to the government. But the trouble is that many do not understand the need for the new approach, especially those in a high position. We have discussed this many times in the Gosplan, and our statements lead to a storm of anger and resentment there. But there is only one thing behind this: a subsection of transport is concerned with annual planning. If it is ended, we must either cut back on people or retrain them. Such a serious problem in planning must be examined in a calmer atmosphere, where you are not silenced and your hands are not tied.

[Sluzhakov] Why do you think that certain Ministry of Railways employees do not willingly seek contact with journalists? After all, numerous questions would be answered and vagueness would be removed by frank statements.

[Zubarev] A person is afraid that they will denounce it as a lie, and he speaks through clenched teeth for that reason. I experienced all this, and I have planned more than one five-year plan...

And until we get away from annual planning, there will be more and more telegrams from collectives with indignation and ultimatums. And I am very much afraid that we are provoking labor disputes by such stubbornness with scheduled figures.

[Sluzhakov] Could you tell us, even if only approximately, the extent to which the idea you advocate will improve the situation in the sector?

[Zubarev] Unquestionably it would be a step halfway with the shippers. But there are no figure forecasts. There are too many ingredients, which are hard to check.

### Railroaders Air Collective Concerns

904H0114A Moscow GUDOK in Russian 21 Jan 90 p 3

[Article by Ye. Khrakovskiy: "What Concerns the Railroaders"]

[Text] A meeting of the collegium members of the Ministry of Railways and the Presidium of the sector's Trade Union Central Committee with railroad workers—participants in the All-Union Conference of Representatives of the Working Class, Peasantry, and Engineering and Technical Workers, created on the initiative of the CPSU Central Committee—began on the evening of 18 January. One would think that after a long meeting, people who were used to driving trains, repairing track and railcars, and selling tickets would be more tired than at work because they were not used to this, and a lively, interesting conversation would hardly take place. But it proved to be businesslike and frank.

Almost every participant in the meeting wanted to speak and raise before the leadership of the Ministry of Railways and Trade Union Central Committee the issues concerning his collective. But all was not in order.

Opening the meeting, V.N. Ginko, first deputy minister of railways, noted that it was not always a simple matter to work in transportation and that the railroaders' work itself was far from easy. Nevertheless, in 1987-1988, despite all the difficulties, they managed to maintain a good pace and achieve pretty good results. But last year things became much more complicated, and the situation at the beginning of this year remains extremely tense.

It would seem that the production base is being developed, the facilities are being renovated, about 6 billion rubles have been invested during the year, and the same people are working, but the work is not proceeding properly. Of course, the miners' strikes and the aggravation of the interethnic relations have had an extremely adverse effect on the activities of the railroads.

Another problem is the drop in technological and labor discipline. And this has an extremely adverse effect on the entire operation, particularly on the safety of train traffic. Since the beginning of this year, there have already been six crashes and four accidents, and in just the past 24 hours there were 140 cases of defective work reported.

The condition and violation of economic ties have also become more complicated. More and more often it is necessary to resort to exchange in kind between enterprises. Transportation experiences a chronic shortage of rails, ties, rolling stock, and many spare parts. Experts have calculated that in 20 years the shortages in deliveries of rails are so great that they would be enough to renovate track on 30,000 km of lines.

The deterioration of work could not help but affect solving social problems, although the state allocated considerable additional sums to transportation for these purposes.

The conversation also centered mainly on social problems concerning people.

"How does it turn out," said V.I. Tkalya, an engineer at the Pechora Depot, "that the miners go on strike and their supplementary payment ratio is increased for work in the north, but we railroaders, who continued to work selflessly during this time, were forgotten? True, the minister sent us a telegram of thanks and supported us for not giving in to provocative appeals and did not leave the job. But, as they say, there won't be much market for gratitude alone. It is necessary to resolve the problems fundamentally, not help those who bellow more and strike."

And although they explained to the engineer from Pechora that the State Committee for Labor and Social Problems was now developing a concept for establishing northern coefficients for workers of all professions, he justly noted that we must not under any conditions create hostility between workers of the various sectors of the national economy. And it was hard to object to what he said.

"Our work is extremely strenuous," noted V.P. Shtanko, an engineer at the Kiev Passenger Depot. "Our nervous system is strained perhaps even more than that with pilots. Special attention is required for them only during takeoff and landing, but we must be on our guard the entire 400 km of the trip. Concern must be given to increasing leave so the body can recover after the overloading."

Many suggestions were made at the meeting about what should be done to improve the working and resting conditions for engineers and workers of other leading professions in transportation. Once again, people complained that the Lobovkin instrument makes engineers nervous; it was suggested that until something better is created, at least switch the signal light to green when driving. An emergency stop button is needed, about which GUDOK has written more than once. Standard simulators are needed for workers of all leading professions. The recommended minimum 16-hour rest between trips is not observed at many depots, and at some this has resulted in loss of working hours and loss of earnings.

How closely the production, supply, and social problems are linked was shown graphically by the example of the Darnitskiy Railcar Repair Plant. In the recent past, the leading collective began giving up its position. The main reason is the shortage of metal. Instead of modernizing, they have to patch the wooden railcar bodies. The plan is not fulfilled, discipline has weakened, earnings have dropped off sharply, and people are leaving. Even skilled welders who have given the enterprise many years of their life are leaving the plant. Where will they find such specialists later? The collective's repeated appeals to the plant main administration, to the leadership of the Ministry of Railways, and to state and party bodies so far have not produced any results.

There is much concern over the fact that leading transportation professions are losing prestige.

"It really hurts," N.M. Samoylov, an engineer instructor at the Otrozhka Locomotive Depot, "to see assistant engineers leave transportation. You might run into your former wards just about anywhere now! I was in a local restaurant recently and saw two waiters with familiar faces. They worked on the cross-country track before, left, and got a job here. People don't run away from something good. The trade union should be concerned about the locomotive brigades and stand guard over their interests. But so far it is doing a poor job of this. Almost all the regular engineers have hypertensive crises, heart disease, and other diseases listed on their medical cards. But who is concerned about this? We need an association of engineers. There is talk about this, but nothing has been done."

"We have seriously discussed the question of creating associations of engineers and workers of other mass professions," noted I.A. Shinkevich, chairman of the trade union central committee. "Our trade union has many job profiles represented. It has engineers, railcar workers, physicians, teachers, trade workers, people of many professions who work in rail transportation. We have studied the experience of foreign trade unions. After analyzing and weighing everything, we have concluded that it is best to structure the work by sections. Of course, there will also be a locomotive brigade section. The leaders of the sections—the most authoritative people in a given profession—will be part of the Central Committee Presidium of the Trade Union. The sections will work in contact with the appropriate main administrations. We must set up this system well. We are submitting this issue to the next Trade Union Central Committee Plenum."

"Social problems are now at the center of our attention," I.A. Shinkevich further emphasized. "I am glad that their priority has begun to be felt. Part of the funds from the production sphere are being directed toward the social sphere. Recently, the input into housing has increased by a factor of 1.5. By 1992 it is planned to resolve the problem of children preschools. We have managed to allocate 220 million rubles for supplementary payment for nighttime work. Considerable funds have been appropriated for additional manning."

We have actively supported the experience of a number of depots where they are really concerned about workers' health. The dispensary at the Yaroslavl Division of the Northern Railroad has been specialized for rehabilitation of the health of locomotive brigades. A splendid health center has been created in Lvov. This experience must be disseminated energetically. The funds invested will pay for themselves many times over—after all, the incidence of illness drops sharply. But local initiative is important here.

Today many are talking about the mutual relations of engineers with dispatchers and of the collectives of

depots and divisions. We are looking for a way to place them on an economic basis. It has been recommended, for example, to introduce a "locomotive-hour" indicator, but in the localities there are slow to do so. Today many rights have been transferred from the center to the localities, but they are utilizing them quite timidly.

Here it was justly noted that it is not a woman's job to work as a railcar inspector. We also adhere to the opinion that women should be freed from heavy physical work. For the time being, the recommendation has been made not to hire women for these jobs. We must think about what to do with those who are already working. Here there are both wages and many other things...

The question of preferential pensions is being raised again. We have repeatedly posed this question to the appropriate agencies. We know that most yardmasters and contact system technicians, many railcar workers, and subway workers do not work long enough to earn a pension. But this problem is extremely difficult to resolve. Everything rests on funds, which the state does not have right now.

It was already late in the evening, but the people continued to ask questions, to make suggestions, and to try to find ways to solve the problems that concern railroaders today.

### Train Time Statistics Reviewed

904H0114B Moscow GUDOK in Russian 21 Jan 90 p 3

[Article based on data from the Technical Department of the Transport Main Administration of the Ministry of Railways, under the heading "In the Mirror of Statistics": "Is There a Schedule for Passenger Trains?"]

[Text] Last year, 1 out of every 13 trains was late.

Discipline in meeting the passenger train traffic schedule in 1989 clearly worsened. The level of schedule observance compared with the preceding year decreased 1 percent for departures, 0.8 percent for en route, and 2.1 percent for arrivals. The number of trains passing off schedule increased by 15,666, that is, 1 out every 13 trains was late. The traffic schedule indicators decreased compared with 1988 on the Gorkiy (3.7 percent), Southern (2.8 percent), Southeastern (2.9 percent), Lvov (2.7 percent), Belorussian (1.8 percent), and October (1.7 percent) railroads.

The greatest passenger train delays were due to track facilities (43,865 consists), transport facilities (13,514), locomotive facilities (12,705), and railcar facilities (6,573).

The freight train traffic schedule improved by 0.2 percent, but the level of its fulfillment was only 74.8 percent. On the Lvov, Southeastern, Volga, North Caucasus, and Sverdlovsk railroads, the schedule is lower than the network schedule and fell to the level of 1988.

The main reasons for the unsatisfactory schedule fulfillment were equipment breakdowns due to poor maintenance and defective work in train and switching operations.

According to line management, as of 30 December there were 5,933 warnings on 7,473 km of track on the rail network, including 2,420 warnings not called for by the traffic schedule. The greatest number of these warnings (and this continued every month throughout the year) were on the October, Moscow, Gorkiy, Southeastern, and Lvov main lines.

Much of the passenger and freight train time delays last year was the fault of workers at locomotive facilities. There were great losses due to delays in railcar ferry times. The number of locomotive breakdowns was also great (more than 8,000).

Workers at railcar facilities also had quite a large number of defects in their work—more than 1,000 cases of spontaneous uncouplings, 800 failures of automatic couplers and railcars uncoupling from freight trains due to technical failures. All this had a considerable effect on the delays of both passenger and freight consists.

The lateness of freight trains increased 9.8 percent through the fault of electrification and power supply facilities. Workers at signals and communications facilities also made their contribution to disrupting traffic.

Work on the railroads to improve international railway traffic schedules was extremely poor. This issue was the subject of discussion at the Ministry of Railways Central Commission on Monitoring Schedule Fulfillment. The commission took a number of technical and organizational steps aimed at improving the schedule of international trains. The chiefs of the Lvov, Southwestern, and Moscow railroads and divisions were held strictly accountable for the unsatisfactory organization of traffic.

### New Computer System at Novosibirsk

904H0114C Moscow GUDOK in Russian 21 Jan 90 p 1

[Article by V. Vashchenko: "'Ekspress-2' Prescribed at Novosibirsk"]

[Text] We all have already found out by bitter experience the value of holiday launching of projects, especially around New Year's Day. And those who are involved in such launchings now prefer to avoid big fusses. Here is how it turned out: I found out from the workers of the Novosibirsk-Main Train Station, who had invited me to the celebration of the 50th anniversary of the station's opening, that the Ekspress-2 automated control system [ASU] was being put into operation on 27 December. I was in no hurry with the information and took it under control.

On 12 January, P. Statva, chief engineer of the railroad's passenger service, stated: "It's nothing to brag about..."

But I later found out that the chief engineer was being modest and that things were not so bad; the ASU had begun operating.

The cashiers on the busiest section—the city ticket offices for advance sale of tickets, where several work positions had already been equipped with the new devices—were already taking advantage of the services of the computers installed at the railroad computer center. The ticket offices of the Novosibirsk-West and Novosibirsk-South stations have also been equipped. The labor productivity of the cashiers rose immediately. Some of the particularly fast ones will be able process 700 tickets each, while they could process no more than 300 manually.

People are learning as they use the equipment, literally groping their way, because there are still no instructors.

The problem will be resolved when someone really masters the new equipment.

But in general, the Western Siberians are moving along at a rather fast pace: They have “swung back and forth” with all kinds of projects, but then they put up with the installation for not a full year, and it took only 12 days to get it running. It was not in vain that they studied the experience of Moscow, Leningrad, Chelyabinsk, and Sverdlovsk. They are hoping to equip 40 cashier work positions with the new equipment by the beginning of the summer passenger traffic.

Much work still remains. The Kemerovo and Krasnoyarsk railroads must be hooked up to the system, and a channel to Chelyabinsk will be needed. You see, the automated system is designed for 2,000 work positions.

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